شركة الإسمنت الوطنية ش.م.ع.

NATIONAL CEMENT CO. P.S.C.

Integrated Report 2022

2022

FOR A BETTER FUTURE … FOR A BETTER WORLD

National Cement Company
(Public Shareholding Co)

FINANCIAL STATEMENTS

31 DECEMBER 2022

شركة الإسمنت الوطنية.ش.م.ع.
National Cement Co. p.s.c.

Directors' Report

The Board of Directors of National Cement Company is pleased to present their report along with the audited financial statements of the Company for the year ended 31 December 2022.

1 - Principal Activities:

National Cement Company was established in 1968 under the direction of the late His Highness Sheikh Rashid bin Saeed Al Maktoum, Ruler of Dubai. His vision was to create new horizons for the industry using local resources and local raw materials. Accordingly, the National Cement Company was established to produce basic materials to supply the expected construction boom in the United Arab Emirates and the region. Our company is primarily involved in manufacturing and supply of Cement and clinker. The company is also involved in investment of its excess funds to earn additional income.

2 - Financial Performance:

The financial position and financial results of the Company for the year ended December 31, 2022 are included in the accompanying financial statements.

3 – Directors:

The Board of Directors comprises:

Mr. Rashid Saif Ahmed Al Ghurair	Chairman
Mr. Iyad Mazhar Saleh Malas	Deputy Chairman
Mr. Thani Abdullah Suhail Juma Al-Zaffin	Board Member
Mr. Sultan Abdullah Ahmed Al Ghurair	Board Member
Mr. Salem Ali Abdullah Al Sharhan Al Nuaimi	Board Member
Mrs. Raja Mohammed Ghanem Saeed Al Mazrouei	Board Member
Mr. Omar Issam Ashur	Board Member

4- Auditors:

The financial statements for the year ended December 31, 2022 were audited by Ernst & Young.

5- Acknowledgment:

The Board would like to express their gratitude and appreciation to all its shareholders, client and business partners whose continued support has been a source of great strength and encouragement. The Board would also like to place on record their commendation for the hard work and efforts put in by Company management and staff as well as their loyalty and perseverance for the benefit of the Company and its shareholders.

On behalf of the Board

RASHED SAIF AHMAD ALGURAIR
Chairman
28 March 2023

Commercial Registration No. 41150
Authorised and paid up Share Capital AED 358,800,000
P.O. Box 4041 Dubai - United Arab Emirates
Tel.: +971-4-3388885, Fax: +971-4-3388886

E-mail: cement@nationalcement.ae

سجـــــل تجـــــاري رقـــــم ٤١١٥٠
رأس المـال المصـرح بـه والمدفـوع ٣٥٨،٨٠٠،٠٠٠ درهـم
ص.ب : ٤٠٤١ دبـي – الإمـارات العـربيـة المتـحـدة
هـاتف : ٣٣٨٨٨٨٥-٤-٩٧١+ ، فاكس : ٣٣٨٨٨٨٦-٤-٩٧١+

Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
ICD Brookfield Place, Ground Floor
Al-Mustaqbal Street
Dubai International Financial Centre
Emirate of Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Cement Company (Public Shareholding Co.) (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the 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 the audit of the financial statements of the current year. we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

The matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to the matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment of loan receivable from an associate	
As stated in note 14.4 to the financial statements, the Company's statement of financial position includes AED 316,000 thousand of loan receivable from an associate, representing 16% of the Company's total assets. Management performed an impairment assessment on the loan based on specific factors and concluded that no impairment was required on the loan at the reporting date. This is a key audit matter due to the significance of the loan balance, the fact that the associate had a history of default in meeting the loan repayment commitments and the renewal of the loan agreement has not yet been finalized at the date of the issuance of the Company's financial statements.	We performed the following: • Obtained direct confirmation from the associate with regard to the loan balance; • Obtained the latest available asset valuation report with regard to the pledged assets of the associate performed by an independent third party specialist engaged by management. Assessed the reasonableness of the methodologies and inputs used and verified that the total fair value of the pledged assets sufficiently exceeds the carrying amount of the loan receivable; • Reviewed the methodologies applied including estimates and judgments made by management; • Considered the sensitivity of the impairment testing model to changes in key assumptions; and • Obtained a recent lawyer's report expressing a legal opinion on the enforceability of the pledge.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 the Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter 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.

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2022:

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

ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021, and the Articles of Association of the Company;

iii) The Company has maintained proper books of account;

iv) The financial information included in the Directors' report is consistent with the books of account of the Company;

v) The Company's investments in shares or stocks during the year ended 31 December 2022 are disclosed in Note 12 to the financial statements;

vi) Note 14 reflects material related party transactions and the terms under which they were conducted;

vii) Based on the information that has been made available to us, nothing else has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

viii) No social contributions were made during the year.

For Ernst & Young

Ashraf Abu Sharkh
Partner
Registration number: 690

28 March 2023

Dubai, United Arab Emirates

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022*** ***AED '000***	*2021* *AED '000*
Revenue from contracts with customers	4	**136,997**	147,467
Direct costs	5	**(159,133)**	(173,751)
GROSS LOSS		**(22,136)**	(26,284)
Other income	6	**10,101**	11,711
Administration and general expenses	7	**(28,224)**	(25,383)
Selling and distribution expenses	8	**(8,031)**	(8,081)
OPERATING LOSS		**(48,290)**	(48,037)
Finance income	9.1	**8,558**	43,118
Finance cost	9.2	**(4,127)**	(3,265)
Reversal of allowance for credit loss	16	**-**	34,575
Dividend income from equity investments		**19,282**	14,300
Net change in fair value of debt instruments at FVTPL	12	**4,029**	8,280
Fair value of debt instruments at FVOCI recycled to profit and loss on disposal		**(8,172)**	-
(LOSS)/PROFIT FOR THE YEAR		**(28,720)**	48,971
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of equity instruments at FVOCI	12	**(10,986)**	313,638
Items that may be reclassified to profit or loss in subsequent periods:			
Net change in fair value of debt instruments at FVOCI	12	**(3,974)**	(976)
Fair value of debt instruments at FVOCI recycled to profit and loss on disposal		**8,172**	-
Other comprehensive (loss)/income for the year		**(6,788)**	312,662
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(35,508)**	361,633
Earnings per share (based on (loss)/profit for the year)			
Basic and diluted earnings per share (AED)	22	**(0.08)**	0.136

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**2022 AED '000**	2021 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**157,959**	171,314
Intangible assets		**1,713**	1,800
Investment properties	11	**2,924**	2,924
Investments in financial assets	12	**1,113,535**	1,145,781
Loan receivable from an associate	14	**316,000**	316,000
		1,592,131	1,637,819
Current assets			
Investments in financial assets	12	**11,954**	57,768
Inventories	15	**77,481**	51,066
Trade and other receivables	16	**103,484**	82,166
Advances and other receivables		**6,837**	2,673
Bank balances and cash	17	**41,976**	84,046
		241,732	277,719
TOTAL ASSETS		**1,833,863**	1,915,538
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**358,800**	358,800
Share application money		**26**	26
Statutory reserve	18	**179,402**	179,402
General reserve	18	**313,323**	313,323
Fair value reserve of financial assets at FVOCI	18	**803,726**	810,514
(Accumulated losses)/retained earnings		**(7,797)**	56,803
Total equity		**1,647,480**	1,718,868
Non-current liabilities			
Bank borrowings	19	**-**	10,000
Employees' end of service benefits	20	**20,540**	20,870
		20,540	30,870
Current liabilities			
Bank borrowings	19	**120,000**	115,000
Trade and other payables	21	**45,843**	50,800
		165,843	165,800
Total liabilities		**186,383**	196,670
TOTAL EQUITY AND LIABILITIES		**1,833,863**	1,915,538

The financial statements of the Company have been approved by the Board of Directors on 28 March 2023

Chairman

Vice Chairman

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital AED'000	*Share application money AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve of financial assets at FVOCI AED'000*	*(Accumulated losses)/ retained earnings AED'000*	*Total equity AED'000*
Balance as at 1 January 2021	358,800	26	179,402	313,323	497,852	7,832	1,357,235
Profit for the year	-	-	-	-	-	48,971	48,971
Other comprehensive income for the year	-	-	-	-	312,662	-	312,662
Total comprehensive income for the year	-	-	-	-	312,662	48,971	361,633
As at 31 December 2021	358,800	26	179,402	313,323	810,514	56,803	1,718,868
Loss for the year	-	-	-	-	-	(28,720)	(28,720)
Other comprehensive loss for the year	-	-	-	-	(6,788)	-	(6,788)
Total comprehensive loss for the year	-	-	-	-	(6,788)	(28,720)	(35,508)
Dividend paid (Note 18.5)	-	-	-	-	-	(35,880)	(35,880)
As at 31 December 2022	**358,800**	**26**	**179,402**	**313,323**	**803,726**	**(7,797)**	**1,647,480**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	**2022 AED'000**	2021 AED'000
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(28,720)**	48,971
Adjustments for:			
Depreciation on property, plant and equipment and amortization of intangibles		**18,266**	18,073
Change in fair value of financial assets at fair value through profit and loss	12	**(4,029)**	(8,280)
Reversal of allowance for expected credit loss	16	**-**	(34,575)
Gain on sale of property, plant and equipment		**-**	(16)
Write down of inventories	15	**1,331**	1,117
Provision for employees' end of services benefits	20	**1,336**	2,207
Dividend income		**(19,282)**	(14,300)
Finance income	9.1	**(8,558)**	(43,118)
Finance cost	9.2	**4,127**	3,265
Fair value of debt instruments at FVOCI recycled to profit and loss on disposal		**8,172**	-
		(27,357)	(26,656)
Working capital changes:			
Inventories		**(27,746)**	4,901
Trade receivables, advances and other receivables		**(25,483)**	9,408
Trade and other payables		**(4,957)**	713
Cash used in operating activities		**(85,543)**	(11,634)
Employees' end of service benefits paid	20	**(1,666)**	(1,357)
Net cash flows used in operating activities		**(87,209)**	(12,991)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(4,824)**	(1,242)
Proceeds from sale of property, plant and equipment		**-**	16
Investments in financial assets	12	**(18,685)**	(16,539)
Proceeds from maturity/disposals of financial assets	12	**85,815**	106,104
Dividend received		**19,282**	14,300
Interest received		**8,558**	43,118
Net movement in fixed deposits placed with banks	17	**45,000**	(70,000)
Margin deposits		**-**	5,460
Net cash flows from investing activities		**135,146**	81,217
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**225,000**	245,000
Repayment of bank borrowings		**(230,000)**	(334,070)
Finance cost paid		**(4,127)**	(3,265)
Dividend paid		**(35,880)**	-
Net cash flows used in financing activities		**(45,007)**	(92,335)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,930**	(24,109)
Cash and cash equivalents at the beginning of the year		**14,046**	38,155
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**16,976**	14,046

The attached notes 1 to 27 form part of these financial statements.

1 BACKGROUND AND PRINCIPAL ACTIVITIES

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), is registered in accordance with a decree issued by His Highness Ruler of Dubai on 10 April 1968 establishing a cement company in the Emirate of Dubai and is governed in accordance with the provisions of the UAE Federal Law No. 32 of 2021. The Company is listed on the Dubai Financial Market ("DFM"). The registered address of the Company is P.O. Box 4041, Dubai, United Arab Emirates.

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

The principal activity of the Company is to manufacture and sell cement and cement related products.

The financial statements of the Company have been approved by the Board of Directors on 28 March 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE Laws.

The financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

The financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss and through other comprehensive income that have been measured at fair value, and the investment in associate that has been measured using equity accounting.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments had no impact on the financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the financial statements of the Company.

Standards issued but not yet effective
There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements and are not expected to have any significant impact on the Company's financial statements when they become effective, and accordingly, have not been listed in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associate
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Company measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as unquoted financial assets and investment property.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

There are no significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Sales of goods
Revenue from sale of cement and other related products, sandwich panels and raw steel used in the construction and building activities is recognised at the point in time when control of the asset is transferred to the customer, generally on collection of the goods by customers. The normal credit term is 30 to 120 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Delivery services
The Company provides delivery services that are usually bundled together with the sale of goods to a customer. The delivery services can be obtained from other providers and do not significantly customise or modify the goods.

Contracts for bundled sales of goods and delivery services are comprised of two performance obligations because the promises to transfer goods and provide delivery services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the goods and delivery services.

The Company recognises revenue from delivery services and sale of goods at a point in time, generally upon delivery of the goods to the customer.

Contract balances
Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section *Financial instruments – initial recognition and subsequent measurement*.

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

Foreign currencies
Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	3 to 14 years
Plant and machinery	3 to 25 years
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases
Company as lessee
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as lessor
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease.

At the commencement of a finance lease term, the Company records a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting the constant periodic rate of return on the lessor's net investment in the finance lease.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its non-operating nature.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties
Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight line basis, which reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Company over their estimated useful life of 10 years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies under 'Revenue from contracts with customers'.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business mode

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables, loan to associate and due from related parties.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)
Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed and non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted debt instruments with contractual terms that give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding or that such cash flows are not due on specified dates or both.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds with good rating and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses published ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, due to related parties and loans and borrowings including bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The Company does not hold financial liabilities at fair value through profit or loss at the reporting date.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and all of the Company's financial liabilities are classified within this category.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

Inventories
Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials – purchase cost on weighted average basis;
- Spares and consumables – purchase cost on weighted average basis;
- Finished goods and work-in-progress – cost of direct material and a proportion of manufacturing overheads based on the normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
At each reporting date, the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in profit or loss.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., secured, unsecured).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction and real estate sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 26.

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

At the reporting date, gross inventories were AED 77,481 thousand (2021: AED 51,067 thousand) with no provision for slow moving inventories (2021: nil) (Refer Note 15 for information about write down of inventories). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment
Management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management engages third party specialists to determine the fair value of its property, plant and equipment. Such fair value estimate is also based on the replacement cost of an asset of equivalent utility and depreciation, including obsolescence.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2022	*2021*
	AED'000	*AED'000*
Disaggregation of sale of goods or service		
Sale of goods (recognised at a point in time)	**132,776**	145,815
Delivery services (recognised at a point in time)	**4,221**	1,652
	136,997	147,467
Type of goods/service		
Finished goods (including delivery)	**128,025**	110,958
Semi-finished goods and raw materials (including delivery)	**8,972**	36,509
	136,997	147,467
Geographical markets		
United Arab Emirates	**127,997**	110,895
Other countries	**9,000**	36,572
	136,997	147,467

4.2 Contract balances

	2022	*2021*
	AED'000	*AED'000*
Trade receivables (gross) – third parties (Note 16)	**104,766**	85,340
Trade receivables (gross) – related parties (Note 16)	**4,406**	1,788
Contract liabilities – advances (Note 21)	**900**	1,055

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days. Trade receivables amounting to AED 40,290 thousand (2021: AED 38,226 thousand) are secured against bank guarantees.

Contract liabilities comprise short-term advances received for the sale of goods and delivery services.

4.3 Performance obligations

Information about the Company's performance obligations are summarised below:

Sale of goods
The performance obligation is satisfied upon collection of the goods and payment is generally in cash or due within 30 to 120 days from the sale**.**

Bundled sale of goods and delivery services
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 120 days from delivery.

5 DIRECT COSTS

	2022	*2021*
	AED'000	*AED'000*
Material cost	**90,829**	95,147
Utilities and other factory costs	**33,244**	44,321
Cost of labour	**17,004**	16,959
Depreciation of property, plant and equipment (Note 10)	**16,725**	16,207
Write down of inventories	**1,331**	1,117
	159,133	173,751

6 OTHER INCOME

	2022	*2021*
	AED'000	*AED'000*
Sale of scrap and other non-trading materials	**4,693**	5,947
Rental income from investment properties (Note 11)	**3,025**	3,170
Other rental income	**1,884**	1,825
Gain on sale of property, plant and equipment	**-**	16
Others	**499**	753
	10,101	11,711

7 ADMINISTRATION AND GENERAL EXPENSES

	2022	*2021*
	AED'000	*AED'000*
Staff salaries and benefits	**17,202**	16,803
Repair and maintenance	**2,612**	2,711
Legal and professional fees	**1,487**	1,252
Depreciation of property, plant and equipment (Note 10)	**682**	986
Amortization of intangible assets	**627**	600
Bank charges	**905**	590
Directors fees	**1,750**	-
Others	**2,959**	2,441
	28,224	25,383

8 SELLING AND DISTRIBUTION EXPENSES

	2022	*2021*
	AED'000	*AED'000*
Transportation	**3,659**	5,084
Sales and marketing	**4,141**	2,717
Depreciation of property, plant and equipment (Note 10)	**231**	280
	8,031	8,081

9.1 FINANCE INCOME

	2022	*2021*
	AED'000	*AED'000*
Suspended interest released (Note 14)	**2,000**	20,707
Interest income on loan to associate (Note 14)	**-**	12,079
Interest income on investments in financial assets (debt instruments)	**6,024**	10,225
Interest income on term deposits	**534**	107
	8,558	43,118

9.2 FINANCE COST

	2022	*2021*
	AED'000	*AED'000*
Murabaha and short term loans	**3,629**	3,252
Bank overdrafts	**498**	13
	4,127	3,265

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings AED'000	*Plant and machinery AED'000*	*Furniture, fixtures & equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2021	36,208	942,055	17,984	54,561	61,348	1,112,156
Additions	-	431	157	654	-	1,242
Disposals	-	-	(7)	(422)	-	(429)
At 31 December 2021	36,208	942,486	18,134	54,793	61,348	1,112,969
Additions	273	285	349	-	3,917	4,824
Transfers	-	61,179	78	-	(61,797)	(540)
At 31 December 2022	**36,481**	**1,003,950**	**18,561**	**54,793**	**3,468**	**1,117,253**
Accumulated Depreciation:						
At 1 January 2021	31,583	822,571	17,625	52,832	-	924,611
Charge for the year	574	15,531	294	1,074	-	17,473
Disposals	-	-	(7)	(422)	-	(429)
At 31 December 2021	32,157	838,102	17,912	53,484	-	941,655
Charge for the year	436	16,131	219	853	-	17,639
At 31 December 2022	**32,593**	**854,233**	**18,131**	**54,337**	**-**	**959,294**
Net carrying value:						
At 31 December 2022	**3,888**	**149,717**	**430**	**456**	**3,468**	**157,959**
At 31 December 2021	4,051	104,384	222	1,309	61,348	171,314

10 PROPERTY, PLANT AND EQUIPMENT (continued)

10.1 Depreciation

Depreciation is allocated in the statement of profit or loss as follows:

	2022 AED'000	*2021 AED'000*
Direct costs (Note 5)	**16,725**	16,207
Administration and general expenses (Note 7)	**682**	986
Selling and distribution expenses (Note 8)	**231**	280
	17,638	17,473

10.2 Capital work-in-progress

Capital work-in-progress comprises mainly of waste heat recovery plant. At the reporting date, the construction of the plant was complete and transferred to plant and machinery. The plant begin to operate during the last quarter of 2022.

10.3 Other information

Buildings, plant and machinery are located on a land granted by the Government of Dubai for a period of 50 years from the date of the start of the commercial operations of the Company to manufacture cement, which management confirms is 1 September 1978.

11 INVESTMENT PROPERTIES

Investment properties comprise of land with a carrying amount of AED 2,924 thousand and fully depreciated villas constructed on the land with an initial cost of AED 16,575 thousand, held for rental purposes and capital appreciation. There was no movement in investment properties during the years ended 31 December 2022 and 2021.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The following amounts have been recognised in the statement of income in respect of investment properties:

	2022 AED'000	*2021 AED'000*
Rental income (Note 6)	**3,025**	3,170
Direct operating expenses	**(229)**	(356)
	2,796	2,814

Management carried out an internal valuation to determine the fair value of the properties at the reporting date. Accordingly, the properties were valued at AED 38 million at year-end 2022 (2021: AED 38 million).

Valuation technique

The value of the properties is measured by management using the 'investment method valuation' approach (level 3 hierarchy). Under this method, the annual rental income presently received or expected over a period of time from the lease of the property is estimated and reduced by the expenses or outgoings incidental to the ownership of the property to obtain the net annual income. This net annual income is then capitalised by an appropriate capitalization rate.

The relevant capitalization rate is chosen based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income and ease of sale.

12 INVESTMENTS IN FINANCIAL ASSETS

	2022 ***AED'000***	*2021* *AED'000*
Current financial assets		
Investments at FVOCI	**9,245**	49,269
Investments at FVTPL	**2,709**	8,499
	11,954	57,768
Non-current financial assets		
Investments at FVOCI	**1,102,327**	1,115,869
Investments at FVTPL	**11,208**	29,912
	1,113,535	1,145,781
	1,125,489	1,203,549

The categories of investments in financial assets are as follows:

	2022 ***AED'000***	*2021* *AED'000*
Quoted equity instruments – at fair value	**1,050,609**	1,061,593
Debt instruments – at fair value	**33,012**	100,088
Unquoted equity instruments – at fair value	**41,868**	41,868
	1,125,489	1,203,549

Equity instruments designated at fair value through OCI include investments in equity shares of listed and non-listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

Debt instruments at fair value through OCI include investments in quoted government and corporate bonds. Fair values of these debt instruments are determined by reference to published price quotations in an active market.

Financial assets at fair value through profit or loss include investments in listed debt instruments shares. Fair values of these instruments are determined by reference to published price quotations in an active market.

At 31 December 2022, investments in marketable securities amounting to AED 319 thousand (2021: AED 239 thousand) are held in the personal name of the Company's General Manager for the beneficial interest of the Company.

Investments in financial assets amounting to AED 672,889 thousand (2021: AED 935,273 thousand) are pledged with banks against loans and borrowings (Note 19).

The Company has an investment, through an unquoted equity instrument, in a cement plant under construction outside the UAE. The investment is being carried at Fair Value through Other Comprehensive Income and is classified as Level 3 within the fair value hierarchy. The Company was not able to engage a third-party valuer to reliably determine the fair value of the investment due to the non-conducive situation in the country of investment. Accordingly, based on management's judgement, the fair value was determined to be AED 41,868 thousand as at the reporting date (2021: AED 41,868 thousand).

12 INVESTMENTS IN FINANCIAL ASSETS (continued)

The movement in the different classes of investments in financial assets during the year was as follows:

	Year ended 31 December 2022			
	Debt instruments at FVOCI AED'000	***Debt instruments at FVTPL AED'000***	***Equity instruments at FVOCI AED'000***	***Total AED'000***
At the beginning of the year	**61,677**	**38,411**	**1,103,461**	**1,203,549**
Additions during the year	**4,609**	**14,076**	**-**	**18,685**
Matured/redeemed	**(43,217)**	**(42,598)**	**-**	**(85,815)**
Change in fair value	**(3,974)**	**4,029**	**(10,985)**	**(10,931)**
At the end of the year	**19,095**	**13,918**	**1,092,476**	**1,125,489**

	Year ended 31 December 2021			
	Debt instruments at FVOCI AED'000	*Debt instruments at FVTPL AED'000*	*Equity instruments at FVOCI AED'000*	*Total AED'000*
At the beginning of the year	84,295	104,652	783,225	972,172
Additions during the year	-	9,941	6,598	16,539
Matured/redeemed	(21,642)	(84,462)	-	(106,104)
Change in fair value	(976)	8,280	313,638	320,942
At the end of the year	61,677	38,411	1,103,461	1,203,549

The investments in financial assets by geography are as follows:

	2022 AED'000	*2021 AED'000*
United Arab Emirates	**919,201**	920,756
Saudi Arabia	**151,880**	214,974
Other countries	**54,408**	67,819
	1,125,489	1,203,549

13 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 25.43% (2021: 25.43%) share in Berber Cement Company Ltd, a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. The Company's interest in Berber Cement Company Ltd. is accounted for using the equity method in the financial statements.

In prior periods, the Company has accounted for the investment after taking account of the effect of hyperinflationary economy and using uniform accounting policies while preparing the financial statements of the associate. Furthermore, the Company has fully provided for the investment in the associate and it has no further obligation towards the losses, exceeding the face value of equity shares held.

14 RELATED PARTY DISCLOSURES

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

14.1 Related party transactions

	2022 ***AED'000***	*2021* *AED'000*
Associate		
Interest income (Note 9.1)	**-**	12,079
Suspended interest released (Note 9.1)	**2,000**	20,707
Other related parties		
Revenue	**6,225**	3,516
Purchases	**(46)**	(258)

14.2 Related party balances

Due from related parties

	2022 ***AED'000***	*2021* *AED'000*
Current account		
Associate	**45,236**	30,494
Less: suspended interest*	**(44,302)**	(29,560)
Associate	**934**	934
Trade receivables		
Other related parties	**4,406**	1,788
	5,340	2,722

* During the year, an amount of AED 2,000 thousand (2021: AED 20,707 thousand) was released from suspended interest and recorded under finance income (Note 9.1) in the statement of comprehensive income, representing funds received from the Company's associate related to previously suspended interest.

Due to related parties

	2022 ***AED'000***	*2021* *AED'000*
Current accounts		
Other related parties	**4**	18

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms agreed by management. Outstanding balances at the year-end are unsecured and interest free (other than loan to associate) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

14 RELATED PARTY DISCLOSURES (continued)

14.3 Remuneration to key management personnel

	2022	*2021*
	AED'000	*AED'000*
Salaries and other short-term benefits	**3,340**	3,146
End of service benefits	**175**	175
	3,515	3,321

14.4 Loan receivable from associate

	2022	*2021*
	AED'000	*AED'000*
Loan balance	**316,000**	316,000

The loan of AED 316 million at 31 December 2022 represents AED denominated loan given to the associate and was recoverable by October 2019, however, the associate has not yet settled this loan. The interest rate on this loan is charged at the rate of 3-month EIBOR + 3% per annum.

Management performed an impairment assessment on the loan and evaluated the associate's ability to repay the loan based on the specific factors. Existence of adequate and sufficient securities against the loan, and proposed amendment of loan agreement with revised repayment schedule, which is expected to be formalized during the year 2023. Based on such assessment, and the fact that the loan is secured against pledge of assets having a fair value exceeding the loan amount at 31 December 2022, management concluded that no impairment is required on the loan balance as at the reporting date.

15 INVENTORIES

	2022	*2021*
	AED'000	*AED'000*
Raw materials	**13,290**	13,485
Work in progress	**35,173**	12,484
Finished goods	**3,634**	3,016
Consumable and spare parts	**25,384**	22,081
	77,481	51,066

During the year, the Company wrote-down AED 1,331 thousand (2021: AED 1,117 thousand) from finished goods and work in progress inventories being the difference between the cost and net realizable values of these inventories.

16 TRADE AND OTHER RECEIVABLES

	2022	*2021*
	AED'000	*AED'000*
Trade receivables		
Third party customers	**104,766**	85,340
Related parties (Note 14)	**4,406**	1,788
	109,172	87,128
Less: allowance for expected credit losses	**(9,244)**	(9,244)
	99,928	77,884
Due from a related party (Note 14)	**934**	934
Other receivables	**2,622**	3,348
	103,484	82,166

Further information about the credit terms and security against trade receivables are disclosed in Note 4 while information about credit exposures are disclosed in Note 26.

The movement in the allowance for expected credit losses during the year was follows:

	2022	*2021*
	AED'000	*AED'000*
At 1 January	**9,244**	43,819
Reversal during the year	**-**	(34,575)
At 31 December	**9,244**	9,244

17 CASH AND CASH EQUIVALENTS

	2022	*2021*
	AED'000	*AED'000*
Cash in hand	**232**	277
Cash at banks – current accounts	**16,744**	13,769
Cash at banks – fixed deposits*	**25,000**	70,000
Bank balances and cash	**41,976**	84,046
Less: fixed deposits*	**(25,000)**	(70,000)
Cash and cash equivalents	**16,976**	14,046

* Fixed deposits carry interest at commercial rates and have an initial maturity of 1 year.

18 SHARE CAPITAL AND RESERVES

18.1 Share capital

	2022 AED‘000	*2021 AED‘000*
Authorised issued and fully paid up:		
358,800,000 shares of AED 1 each	**358,800**	358,800
Issued for cash		
92,000,000 shares of AED 1 each	**92,000**	92,000
Bonus shares issued by capitalizing retained earnings		
266,800,000 shares of AED 1 each	**266,800**	266,800

At the reporting date, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of the ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

18.2 Statutory reserve

In accordance with Article 57.1 of the Company’s Memorandum of Association and UAE Federal Law No. 32 of 2021, a minimum of 10% of the net profit of the Company is required to be transferred to a statutory reserve until the reserve equals 50% of the share capital. No transfer was made to the statutory reserve as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the above-mentioned Law.

18.3 General reserve

In accordance with Article 57.2 of the Company’s Memorandum of Association, 10% of the Company’s net profit is required to be transferred to a general reserve. Such transfer has been discontinued by a resolution of the general assembly based on a proposal by the Board of Directors.

Such reserve shall be used only for purposes designated by the general assembly and based on a proposal by the Board of Directors.

18.4 Fair value reserve of financial assets at FVOCI

Changes in fair value of debt and equity instruments at FVOCI are recognised in other comprehensive income and reported as fair value reserve within equity. Upon derecognition of those debt or equity instruments, any loss or gain previously reported as fair value reserve within equity is included in the income statement for the year for debt instruments and transferred to retained earnings for equity instruments.

18.5 Dividends

In the annual General Meeting held on 21 April 2022, a cash dividend of AED 35,880 thousand (AED 0.10 fils per share) was declared and approved by the shareholders of the Company related to 2021, which were paid on 17 May 2022.

19 BANK BORROWINGS

	2022	2021
	AED'000	*AED'000*
Murabaha loans (1)	**10,000**	10,000
Short-term loans (2)	**110,000**	115,000
	120,000	125,000
Less: current portion	**(120,000)**	(115,000)
Non-current portion	**-**	10,000

(1) The Company has entered into a Murabaha agreement with a local Islamic bank for a total amount of USD 53,500 thousand (equivalent to AED 196,600 thousand) repayable in ten semi-annual instalments over a period of five years maturing in 2023, whereby the Company had made early settlements in prior years, and has settled partly in the prior year an amount of AED 10,000 thousand the remaining balance of AED 10,000 thousand at the reporting date will be settled on maturity. The facility bears profit at 3 months EIBOR + 1.95%, which is payable on quarterly basis. This loan was obtained by the Company and extended to its associate in the prior years. The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 467,180 thousand as at the reporting date (2021: AED 388,270 thousand).

(2) Short-term loans are obtained under a revolving bank facility obtained from a local bank with a limit of AED 185 million for working capital requirements. The term of each loan obtained under this facility is for a period of 1 year. This facility bears interest at the commercial rates. This facility, along with other facilities obtained from the bank, is obtained against pledge of quoted equity shares having a fair value of AED 205,709 thousand as at the reporting date (2021: AED 332,029 thousand).

(3) The Company had obtained short-term borrowings from an investment bank for the purchase of investments in financial assets, carrying interest at the rate of 3.35% to 3.64% per annum, which were fully settled in the previous year.

The Company has complied with the financial covenants required under the banking facilities as at 31 December 2022 and 2021.

20 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision recognised in the statement of financial position is as follows:

	2022	2021
	AED'000	*AED'000*
Provision as at 1 January	**20,870**	20,020
Provided during the year	**1,336**	2,207
End of service benefits paid	**(1,666)**	(1,357)
Provision as at 31 December	**20,540**	20,870

21 TRADE AND OTHER PAYABLES

	2022 **AED'000**	2021 AED'000
Trade payables	**16,767**	19,520
Dividends payable	**16,780**	16,780
Accruals for employee benefits	**5,069**	5,069
Advances	**900**	1,055
Accrued interest	**583**	207
Due to related parties (Note 14)	**4**	18
Accrued expenses and other payables	**5,740**	8,151
	45,843	50,800

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company of AED 28,720 thousand (2021: loss of AED 48,971 thousand) by the weighted average number of shares outstanding during the period of 358,800 thousand shares (2021: 358,800 thousand shares).

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of authorization of these financial statements.

23 CONTINGENCIES AND COMMITMENTS

Capital commitments
At 31 December 2022, the Company had no capital commitments (2021: Nil).

Trade commitments
At 31 December 2022, the Company had no commitments relating to purchases of assets (2021: 1,979).

Contingent liabilities
At 31 December 2022, the Company had bank guarantees amounting to AED 1,587 thousand (2021: AED 1,899 thousand).

24 FAIR VALUES

Management assessed that the fair values of cash and bank balances, trade receivables, trade payables, short-term borrowings, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management assessed that the carrying value of long-term bank borrowings as at 31 December 2022 approximates their fair values due to the fact that they bear variable interest rates that reflect current market interest rates for similar loans and borrowings. As a result, the values of the future discounted cash flows on those loans and borrowings are not significantly different from their current carrying values.

The following methods and assumptions were used to estimate the fair values of financial assets and liabilities:

- Long-term fixed-rate loan to associate is evaluated by the Company based on parameters such as interest rate, specific country risk factors, creditworthiness of the counter party, and the risk characteristics of the financed asset. Based on this evaluation, allowances are taken into account for the estimated losses of the receivable.
- The fair values of the quoted notes and bonds are based on price quotations at the reporting date.
- Management assessed that the cost of the non-listed equity investment is the most appropriate estimate of the fair value at 31 December 2022, given the lack of sufficient more recent financial information about the investee.
- There is an active market for the Company's listed equity investments and quoted debt instruments

24 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Company's assets that are carried at fair value.

31 December 2022	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Quoted equity instruments at FVOCI	**1,050,609**	**-**	**-**	**1,050,609**
Unquoted equity instruments	**-**	**-**	**41,868**	**41,868**
Quoted debt instruments at FVOCI	**-**	**19,095**	**-**	**19,095**
Quoted debt instruments at FVTPL	**-**	**13,917**	**-**	**13,917**
Total	**1,050,609**	**33,012**	**41,868**	**1,125,489**

31 December 2021	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Quoted equity instruments at FVOCI	1,061,593	-	-	1,061,593
Unquoted equity instruments	-	-	41,868	41,868
Quoted debt instruments at FVOCI	-	61,677	-	61,677
Quoted debt instruments at FVTPL	-	38,411	-	38,411
Total	1,061,593	100,088	41,868	1,203,549

25 SEGMENT REPORTING

The Company's activities comprise two main business segments: 1) manufacturing and selling cement and related products and 2) investments in securities, properties and associate. The details of segment revenue, result, assets and liabilities have been provided below**:**

	Year ended 31 December 2022			*Year ended 31 December 2021*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Revenue from contracts with customers	**136,997**	**-**	**136,997**	147,467	-	147,467
Direct costs (excluding depreciation)	**(142,408)**	**-**	**(142,408)**	(157,544)	-	(157,544)
Administration and general expenses* (excluding depreciation)	**(27,541)**	**-**	**(27,541)**	(24,397)	-	(24,397)
Selling and distribution expenses (excluding depreciation)	**(7,800)**	**-**	**(7,800)**	(7,801)	-	(7,801)
Depreciation	**(17,638)**	**-**	**(17,638)**	(17,473)	-	(17,473)
Reversal of allowance for credit loss	**-**	**-**	**-**	-	34,575	34,575
Other income	**7,075**	**3,025**	**10,100**	8,541	3,170	11,711
Finance income	**-**	**8,558**	**8,558**	-	43,118	43,118
Finance cost	**(3,874)**	**(253)**	**(4,127)**	(2,950)	(315)	(3,265)
Dividend income from equity investments	**-**	**19,282**	**19,282**	-	14,300	14,300
Net change in fair value of debt instruments at FVTPL	**-**	**4,029**	**4,029**	-	8,280	8,280
Fair value of debt instruments at FVOCI recycled to profit and loss on disposal	**-**	**(8,172)**	**(8,172)**	-	-	-
Segment (loss)/profit	**(55,189)**	**26,469**	**(28,720)**	(54,157)	103,128	48,971

	31 December 2022			*31 December 2021*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Segment assets**	**347,473**	**1,444,413**	**1,791,886**	309,019	1,522,473	1,831,492
Segment liabilities	**176,383**	**10,000**	**186,383**	186,670	10,000	196,670
Capital expenditure	**4,824**	**-**	**4,824**	1,242	-	1,242

* Staff salaries and benefits are classified under cement segment as the majority of the staff pertain to the said segment

** Cash and bank balances are not allocated to individual segments as these are managed and utilized as needed.

25 SEGMENT REPORTING (continued)

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

a) Information about geographical segments

During the year ended 31 December 2022, revenue from customers located in the Company's country of domicile (UAE) is AED 127,996 thousand (2021: AED 110,895 thousand) and revenue from customers outside UAE (foreign customers) is AED 9,000 thousand (2021: AED 36,572 thousand).

All property, plant and equipment and intangible assets of the Company are based in United Arab Emirates.

b) Major customers

During the year ended 31 December 2022, there was 1 customer (2021: 2 customers) with revenues greater than 10% of the total revenue of the Company.

26 RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables and cash and bank balances that derive directly from its operations. The Company also holds investments in debt and equity instruments and has a loan to an associate.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include term loans, bank deposits, debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The majority of the investments in debt instruments at FVOCI carry interest at fixed rates.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2022		
Loans and borrowings	**+50**	**(600)**
Loans and borrowings	**-50**	**600**
2021		
Loans and borrowings	+50	(625)
Loans and borrowings	-50	625

The sensitivity analysis above has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

26 RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) as well as investing activities (investment in financial assets and associate).

The Company does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in AED, Saudi Riyal (SAR) and US Dollar, whereby the AED and SAR are pegged to the US Dollar.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVOCI at 31 December 2022 and 2021, due to reasonably possible changes in the prices of these quoted shares held by the Company, with all other variables held constant, is as follows:

	2022		*2021*	
Market index	***Decrease in market prices %***	***Effect on equity (fair value reserve) AED'000***	*Increase / decrease in market prices %*	*Effect on equity (fair (value reserve) AED'000*
Dubai Financial Market	**5%**	**(34,296)**	5%	(27,964)
Abu Dhabi Securities Exchange	**5%**	**(10,286)**	5%	(14,128)
Saudi Stock Exchange (Tadawul)	**5%**	**(7,594)**	5%	(10,749)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, loan to associate and other financial instruments.

Trade receivables

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables, and obtaining bank and other guarantees. The Company also manages the risk through dealings with large diversified base of customers. At 31 December 2022, the Company had 8 customers (2021: 9 customers) that owed it more than AED 2 million each and accounted for approximately 83% (2021: 81%) of all the trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., secured, partially secured, and unsecured). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The Company holds bank guarantees and post-dated cheques as security. These guarantees are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2022, 37% (2021: 40%) of the Company's trade receivables are covered by bank guarantees.

26 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2022		Days past due				
	Current AED'000	***<30 days AED'000***	***31-90 days AED'000***	***91-120 days AED'000***	***>120 days AED'000***	***Total AED'000***
Expected credit loss rate	**0.5%**	**0.7%**	**1.3%**	**5%**	**19%**	
Estimated total gross carrying amount at default*	**33,043**	**10,171**	**14,708**	**6,521**	**44,728**	**109,172**
Expected credit loss*	**165**	**71**	**151**	**326**	**8,530**	**9,244**

31 December 2021		*Days past due*				
	Current AED'000	*<30 days AED'000*	*31-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Expected credit loss rate	0.5%	0.7%	1.9%	4.9%	24.9%	
Estimated total gross carrying amount at default*	23,727	9,469	13,510	6,298	34,124	87,128
Expected credit loss*	126	71	258	309	8,480	9,244

* exclude the carrying amount and expected credit losses on non-trading receivable balances.

Financial instruments, bank balances and other receivables
The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

The Company invests only in quoted debt securities with relatively low credit risk. The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that have good ratings and, therefore, are considered to be low credit risk investments. The Company did not recognise provision for expected credit losses on its debt instruments at fair value through OCI on account of immateriality. Credit note on loan receivable from associate has been disclosed in Note 14.4.

Liquidity risk
The Company limits its liquidity risk by ensuring that adequate internally generated funds and bank facilities are available. The Company's terms of sales require amounts to be paid within 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 120 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2022	***Less than 6 months AED'000***	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Trade and other payables	**44,942**	**-**	**-**	**-**	**44,942**
Interest-bearing borrowings	**-**	**121,732**	**-**	**-**	**121,732**
Total	**44,942**	**121,732**	**-**	**-**	**166,674**

26 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2021

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade and other payables	49,745	-	-	-	49,745
Interest-bearing borrowings	115,419	116	10,100	-	125,635
Total	165,164	116	10,100	-	175,380

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Capital comprises share capital, reserves and accumulated losses/retained earnings and is measured at AED 1,647,480 thousand as at 31 December 2022 (2021: AED 1,718,868 thousand).

27 SUBSEQUENT EVENTS

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,00 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Company has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Company shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

NATIONAL CEMENT CO. P.S.C

Corporate Governance Report 2022

1- Statement of the measures taken to complete the corporate governance system and implementation during the year 2022:

- It is a source of pride for us at National Cement Company that we have applied the highest standards and best practices as stipulated in the Chairman of the Board of Directors' Resolution No. (3/RM) for the year 2020. The resolution is in regard with the standards of institutional discipline and governance of public shareholding companies and the procedural rules guide for the governance of the National Cement Company as well approved by The Securities and Commodities Authority in compliance with the governance report form for the year 2022 issued by the Securities and Commodities Authority. This aims to achieve efficiency in work for the benefit of all shareholders and concerned parties including human resources and customers and remain in the best way serving to the economy of the United Arab Emirates.

-National Cement Company has developed a governance guide and it has been approved by the company's board of directors in terms of its constitution, authorities of its committee and the efficiency of internal control in addition to following the principle of transparency in all company's transactions.

2- Statement of ownership and transactions of Board of Directors (Board) members, their spouses, and their children in the company securities during 2022 as according to the following schedule:

- There are no transactions for the members of the Board of Directors, their spouses, and children, in the company's securities during 2021. Their ownerships are according to the following table:

	Name	Position / Kinship	Owned shares as on 31/12/2022	Total sale	Total purchase
1	Mr. Rashed Saif Ahmad Al Ghurair	Chairman	624,000	-	-
2	Mr. Iyad Mazhar Saleh Malas	Vice Chairman	0	-	-
3	Mr. Thani Abdullah Suhail Juma Al-Zaffin	Member	31,200	-	-
4	Mr. Sultan Abdullah Ahmad Al Ghurair	Member	0	-	-
5	Mr. Salem Ali Abdullah Alsharhan Alnuaimi	Member	0	-	-
6	Mrs. Raja Mohammed Ghanim Saeed Almazrouei	Member	0	-	-
7	Mr. Omar Issam Ashur	Member	0	-	-

3 - Board Formation:

a- Board Formation according to the Categories of the members:

	Member Name	Category	Experiences and qualifications	The period he spent as a Board member from the date of his first election	Memberships in other Joint Stock Companies	Positions in any other important supervisory, governmental and business entities
1	**Mr. Rashed Saif Ahmad Al Ghurair**	Non-Executive	Chairman and Managing Director of Taghleef Industries Company, CEO of Saif Al Ghurair Investment Group LLC and Al Ghurair Private Company, and a member of the Board of Directors of Saif Al Ghurair Industrial Group	Five Years	BOD Member of Mashreq Bank	-
2	**Mr. Iyad Mazhar Saleh Malas**	Non-Executive	MBA from George Washington University, USA Member of the Board of Directors and CEO of Al Ghurair Group and a member of the Boards of Directors of Al Shafar General Contracting Company, Bin Dawood Holding Company, and many other companies	Tow Year	BOD Member of Mashreq Bank	-
3	**Mr. Thani Abdullah Suhail Juma Al-Zaffin**	Independent Non-Executive	Bachelor's degree in Computer Science from California State University, USA Vice Chairman of Emirates Real Estate Solutions and Digital Economy Soul Operations, And a member of the board of directors of Emirates Technology Solutions and Zajel parcel delivery company	Tow Year	-	-
4	**Mr. Sultan Abdullah Ahmad Al Ghurair**	Non-Executive	Bachelor's degree from Suffolk College in Massachusetts, USA CEO of Al Ghurair Real Estate Company and Board Member of Al Ghurair Investment and Al Ghurair Holding Company Limited	Five Years	-	-
5	**Mr. Salem Ali Abdullah Alsharhan Alnuaimi**	Independent Non-Executive	BSC in accounting and Business administration, UAE university Member of the Board of Directors of the Dubai International Financial Center, the American University of Ras Al Khaimah, and the Ras Al Khaimah University of Medicine and Health Sciences	Two Year	Chairman of Ras Al Khaimah National Insurance Company And Board Member of Ras Al Khaimah Bank	-
6	**Mrs. Raja Mohammed Ghanim Saeed Almazrouei**	Independent Non-Executive	Bachelor of Business Information Technology from Higher Colleges of Technology Board Member of Harvard Business School in the Middle East and North Africa, Dubai Fintech Ventures, Afkar Ventures, Arab Bank for Investment and Foreign Trade	Two Year	-	-
7	**Mr. Omar Issam Ashur**	Independent Non-Executive	Doctor of Philosophy (Business Economics) Chief Financial Officer of Future Management Group Limited and CEO of the Family Office of Future Group Holdings.	Two Year	-	-

b. Statement of the percentage of female representation in the Board for 2022:

- The female representation is 14.3% of the total members of the Board Members for the year 2022.

c. Statement of the reasons for the absence of any female candidate for the Board membership for 2022:

- Not Applicable.

d. Board Members:

1- The total remunerations paid to the Board members for 2021:

- The total remuneration paid for 2021 each board member 250,000 dirhams (two hundred and fifty thousand UAE dirhams only).

2-The total remuneration of the Board members which is proposed for 2022 and will be presented in the annual general assembly meeting for approval:

- It was proposed not to distribute the remuneration of the members of the Board of Directors for the year 2022.

3-Allowances for attending sessions of the Board and the committees emanating from the Board:

- There are no allowances for attending meetings.

4-Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees along with reasons:

- There are no additional salaries or fees received by any Board Member.

a. The number of the Board meetings held during the 2022 fiscal year:

- The Board held Five (5) meetings in 2022 as follows:

No.	Date of Meeting	No. of attendants	Attendants by Proxy	Name of Absent Members
1	09 / 02 / 2022	Seven members	-	-
2	23 / 03 / 2022	Six members	-	Thani Abdullah Suhail Juma Al-Zaffin
3	12 / 05 / 2022	Seven members	-	-
4	09 / 08 / 2022	Six members	-	Mrs. Raja Mohammed Ghanem Saeed Al Mazrouei
5	10 / 11/ 2022	Seven members	-	-

b. The number of the Board resolutions passed during the 2022 fiscal year:

- None.

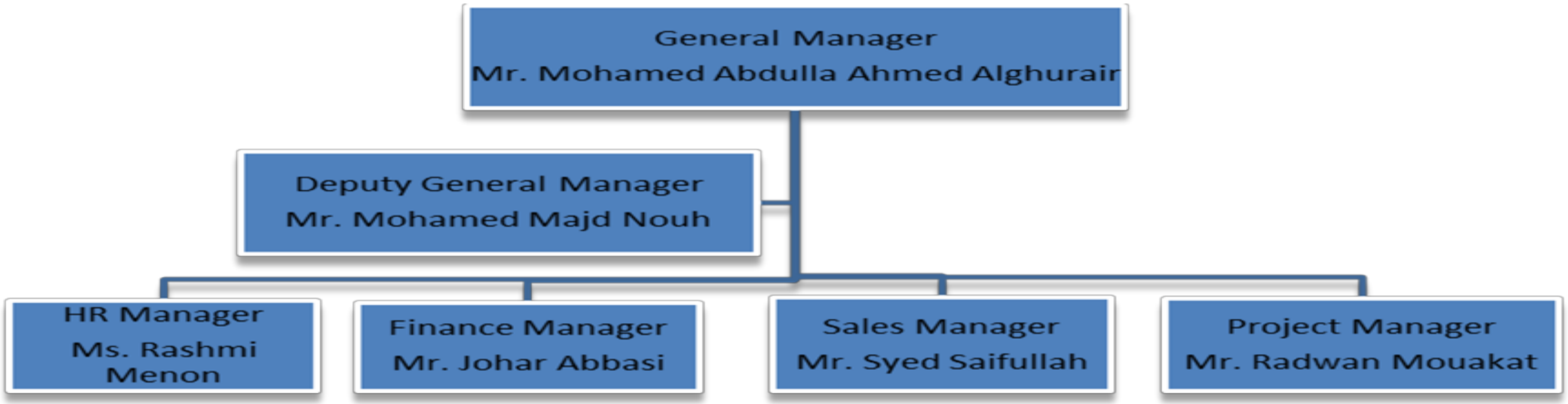
c. Statement of Board duties and powers exercised by Board members or the executive management members during 2022 based on the authorization from the Board, specifying the duration and validity of the authorization:

- None.

d. Statement of the details of transactions made with the related parties (Stakeholders) during 2022:

Statement of related parties	Clarifying the nature of relationship	Type of transaction	Value of transaction (2022) (AED'000)
Al Ghurair Construction - Ready-mix LLC	Exercising control over management by a member of the board of directors	Cement Sales	2,974
Al Ghurair Real Estate - Dubai	Exercising control over management by a member of the board of directors	Cement Sales	2
Al Ghurair Construction - Masonry LLC	Exercising control over management by a member of the board of directors	Cement Sales	3,292
Al Ghurair Construction - Aluminium LLC	Exercising control over management by a member of the board of directors	Advance against Rental amounts	(50)
Al Raudha Quarries Company (LLC), Sultanate of Oman	Exercising control over management by a member of the board of directors	Expenses on behalf of Al Raudha	7
Berber Cement Company Ltd. - Republic of Sudan	Exercising control over management by a member of the board of directors	Loan Interests Returns	2,000
Berber Cement Company Ltd. - Republic of Sudan	Exercising control over management by a member of the board of directors	Partner company loan	316,000
Al Ghurair Construction - Masonry LLC	Exercising control over management by a member of the board of directors	Concrete	(9)
Al Ghurair Construction - ready-mix LLC	Exercising control over management by a member of the board of directors	Purchase of material	(37)

e. The organizational structure of the company:



f. Company Directors:

Name	Position	Date of Appointment	Total Salaries and Allowances paid in 2022 (AED)	Total Bonuses paid in 2022 (AED)	Any other in-kind Bonuses for 2022 or payable in the future
Mohammed Abdullah Al Ghurair	General Manager	1978	1,860,000	-	-
Mohammed Majd Nouh	Works Manager	1998	410,676	-	-
Johar Abbasi	Financial Manager	1985	420,036	-	-
Radwan Mouakat	Projects' Manager	1983	328,200	-	-
Sayed Saif Allah	Sales Manager	2009	292,524	-	-
Rashmi Menon	HR Manager	2012	322,044	-	-

4 - External Auditor:

a. An overview of the company auditor for shareholders:

- Ernst & Young (E&Y) is one of the largest professional companies in the world and one of the Big Four. It is a global organization consisting of a group of member companies. Its global headquarter is in London-Britain while the headquarters of its branch in the United States of America is in New York, 5 Time Square. It is headquartered in four areas around the world, subdivided into 33 regions and regarding the company's Dubai office, it is distinguished by a strong base of professionals with extensive experience and high competencies and more than 50 partners worldwide.

b. Statement of fees and costs for the audit or services provided by the external auditor:

Name of the audit office and partner auditor	Ernst & Young (E&Y) - Mr. Ashraf Abu Sharkh
Number of years he served as the company external auditor	Three Years
Total audit fees for 2022 in (AED)	Three hundred and forty thousand UAE dirhams only
Fees and costs of other private services other than auditing the financial statements for 2022 (AED)	None
Details and nature of the other services	None
Statement of other services that an external auditor other than the company accounts auditor provided during 2022.	None

c. The Qualifications that the company auditor included in the interim and annual financial statements for 2022:

- The company has an investment in an unquoted equity classified at fair value through other comprehensive income amounting to 41,868 thousand dirhams. We were not provided with sufficient and appropriate audit evidence to support the fair value measurement as at the reporting date. As a result, we were unable to determine whether any adjustment was required to the carrying amount of the investment at 2022.

5- Audit Committee:

a. Mr. Salem Ali Abdullah Alsharhan Alnuaimi, Audit Committee Chairman acknowledges his responsibility for the committee system in the Company, review the work mechanism and ensuring the effectiveness of the audit committee.

b. Name of the Audit Committee members, their competencies and tasks assigned to them:

Name	Adjective	Category	position
Mr. Salem Ali Abdullah Alsharhan Alnuaimi	Board Member	Independent - Non-Executive	Chairman
Mr. Iyad Mazhar Saleh Malas	Deputy Chairman	Non-Executive	Member
Mr. Thani Abdullah Suhail Juma Al-Zaffin	Board Member	Independent - Non-Executive	Member
Mr. Sultan Abdullah Ahmad Al Ghurair	Board Member	Non-Executive	Member

c. Audit Committee Charter:

1- Purpose of the Audit Committee:

The Audit Committee of the Board of Directors is responsible for overseeing the quality and integrity of accounting, auditing and financial reporting, as well as oversight and review of the internal audit function. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of the external auditor. The Audit Committee shall communicate this information to the Board of Directors and make recommendations regarding actions to be taken by the Board and Executive Management in order to strengthen the Company's system of internal control, compliance procedures and the financial reporting process. The audit committee also oversees the internal auditor and the external auditor, and monitors management's progress in responding to the findings of the internal and external auditors.

2- Membership:

- The committee consists of four members of the board Members appointed by the board of directors.
- The committee appoints the head of the audit committee.

3- Meetings:

- The committee meets at least four times annually. However, the Committee may also call additional meetings as necessary.
- The minimum quorum for a meeting is three members.
- The committee may assign the secretary of the board of directors as a rapporteur for the audit committee.
- The committee may request the CEO to attend the audit committee meetings.

4- Powers:

- The Audit Committee is authorized by the Board of Directors to obtain any information it needs regarding the purpose and responsibilities of the company's management.

5- Responsibilities:

(a) For Internal Audit and Oversight:

- Reviewing the internal audit plan and recommending it to the Board of Directors. Reviewing the internal audit organizational structure and recommending it to the Board of Directors.
- Ensuring the efficiency of the internal audit performance and the adequacy of resources.
- Reviewing and recommending to the Board of Directors the appointment or removal of the Head of Internal Audit.

Reviewing internal audit reports and monitoring the implementation of accepted recommendations.

(b) Finance:

- Reviewing the periodic financial position of the company and recommending it to the Board of Directors.
- Reviewing and recommending to the Board of Directors any changes in accounting policies.
- Reviewing the audited annual financial results and making recommendations to the Board of Directors.
- Reviewing the management’s external auditor’s letter, the management’s response, and follow-up implementation.

(c) External Audit:

- Submitting a recommendation to the Board of Directors regarding the appointment or dismissal of the external auditor.
- Reviewing and recommending to the Board of Directors the terms of compliance and the scope of the audit.
- Evaluating the independence and objectivity of the external auditor.
- Meeting with the external auditor on an annual basis to discuss any relevant matters that the committee believes should be discussed.
- Approving the appointment of an external auditor for any services other than auditing accounts and the related rewards.

(d) Other responsibilities:

- Reviewing all related party transactions to avoid any conflict of interest.
- Review and approve the whistleblowing policy that enables employees to confidentially report potential violations in financial reporting, internal controls, or other issues and establish procedures to conduct independent and fair investigations into such violations.
- Monitoring the company's compliance with the code of professional conduct.
- Providing advice to management as it deems appropriate within the scope of the Audit Committee's job.
- The committee is formed for a period of three years concurrent with the term of the council.
- The committee may request outside advice/assistance if it is necessary for the performance of its duties with the prior approval of the Board of Directors.

D- The Audit Committee held six (6) meetings in 2022 as follows:

NO.	Date of Meeting	No. of attendants	Attendants by Proxy	Name of Absent Members
1	07 / 02 / 2022	Four members	-	-
2	23 / 03 / 2022	Three members	-	Mr. Thani Abdullah Suhail Juma Al-Zafin
3	12 / 05 / 2022	Four members	-	-
4	08 / 08 / 2022	Four members	-	-
5	17 / 08 / 2022	Four members	-	-
6	09 / 11 / 2022	Four members	-	-

6 - Nomination and Remuneration Committee:

a- Mrs. Raja Mohammed Ghanem Saeed Almazrouei, Nomination and Remuneration Committee Chairman acknowledges his responsibility for the committee system in the Company, her review of its work mechanism, and ensuring its effectiveness.

b-Name of the Nomination and Remuneration Committee members, their competencies and tasks assigned to them:

Name	Adjective	Category	position
Mrs. Raja Mohammed Ghanem Saeed Almazrouei	Board Member	Independent - Non-Executive	Chairman
Mr. Thani Abdullah Suhail Juma Al-Zaffin	Board Member	Independent - Non-Executive	Member
Mr. Omar Issam Ashur	Board Member	Independent - Non-Executive	Member

C - Charter of the Nomination and Remuneration Committee:

1- Purpose of the Nomination and Remuneration Committee:

- The Board Nomination and Remuneration Committee aims to assist the Board of Directors in fulfilling their oversight responsibilities in the nomination and independence of Board members and the integrity of the company's remuneration, benefits, incentives, and salary strategy.

2- Membership:

- The committee consists of three members of the board of directors appointed by the board of directors.
- The committee appoints the head of the nominations and remuneration committee.

3- Meetings:

- The committee meets at least once a year. However, the Committee may also call additional meetings as necessary.
- The minimum quorum for a meeting is two members.
- The Committee may assign the Secretary of the Board of Directors as a rapporteur for the Nominations and Remunerations Committee.
- The Committee may request the CEO to attend the meetings of the Nomination and Remuneration Committee.

4- Powers:

- The Nomination and Remuneration Committee is authorized by the Board of Directors to obtain any information it needs regarding the purpose and responsibilities of the company's management.

5- Responsibilities:

- Ensure the independence of the independent members on a continuous basis. If the committee finds that one of the members has lost the conditions for independence, it must submit the matter to the company's board of directors.
- Preparing the policy for granting remunerations, benefits, incentives, and salaries to the company's board members and employees and reviewing it annually. The committee must verify that the remunerations and benefits granted to the senior executive management of the company are reasonable and commensurate with the company's performance.
- Determining the company's needs for competencies at the level of senior executive management and employees and the basis for their selection.
- Preparing the company's human resources and training policy, monitoring its implementation and reviewing it annually.
- Organizing and following up the procedures for nomination for membership of the Board of Directors in accordance with the applicable laws and regulations and the provisions of the system.
- The committee considers any other matters referred to it by the board of directors.

a. <u>The Nomination and Remuneration Committee held One (1) meeting in 2022:</u>

NO.	Date of Meeting	No. of attendants	Attendants by Proxy	Name of Absent Members
1	29 / 12 / 2022	Three members	-	-

<u>7 - The Supervision and Follow-up Committee of insiders' transactions:</u>

A - An acknowledgment by the Chairman of The Supervision and Follow-up Committee of insiders' transactions that he is responsible for the committee's system in the company and for his review of his work mechanism and to ensure its effectiveness:

- Mr. Zakir Shabir Hussein and Mr. Ahmed Ali Abdel Dayem acknowledge their responsibility for the committee system in the company and for their review of its work mechanism and to ensure its effectiveness.

B. Names of the members of The Supervision and Follow-up Committee of insiders' transactions, and a statement of its functions and tasks assigned to it:

Name	Adjective
Mr. Zakir Shabir Hussain	Member
Mr. Ahmed Ali Abdel Dayem	Member

C- Responsibilities of The Supervision and Follow-up Committee of insiders' transactions:
The Insiders Committee shall establish an effective system that enables regular maintenance of an updated register of Insiders and monitors their compliance with the Company's policy on the dealings of Insiders and undertakes the following tasks:

- Preparing a private and comprehensive register of all prospects who are entitled or have access to the company's internal information prior to publication.

- Managing, monitoring, and supervising the transactions of the prospective persons and their ownership of the company's shares and keeping a special record for that.

- Notifying the Authority and the Market of the updated list of prospective persons, upon their request, and of any amendments that may occur during the fiscal year.

- Comply with any other requests requested by the Authority in this regard.

D - No meetings of the committee were held during 2022, and the committee continued to keep and update the register of the Insiders, notify the market and the authority according to their request.

<u>8 - Investments Follow-up Committee:</u>

A - The Investments Follow-up Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism, and ensuring its effectiveness.

- Mr. Iyad Mazhar Saleh Malas, Investments Follow-up Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism, and ensuring its effectiveness.

B - The Board of Directors approved the establishment of a committee to follow up on investments, and it consists of:

Name	Adjective	Category	position
Mr. Iyad Mazhar Saleh Malas	Deputy chairman	Non-Executive	Chairman
Mr. Rashid Saif Ahmed Al Ghurair	chairman	Non-Executive	Member
Mr. Salem Ali Abdullah Al Sharhan Al Nuaimi	Board Member	Independent - Non-Executive	Member
Mrs. Raja Mohammed Ghanem Saeed Al Mazrouei	Board Member	Independent - Non-Executive	Member

C - Charter of the Investment Follow-up Committee:

1- Purpose of the Investment Follow-up Committee:
The Investment Monitoring Committee aims to oversee the company's investment transactions, management, policies and guidelines, including reviewing the selection of the investment manager, setting investment standards, reviewing investment performance, and supervising exposure policies and guidelines for investment risk management.

2- Membership:
- The committee consists of at least three members of the board of directors appointed by the board of directors.
- The committee appoints the head of the investment follow-up committee.

3- Meetings:
- The committee meets at least once a year. However, the Committee may also call additional meetings as necessary.

- The minimum quorum for a meeting is three members.
- The committee may assign the secretary of the board of directors as a rapporteur for the investment follow-up committee.
- The committee may request the CEO to attend the meetings of the investment follow-up committee.

4- Powers:

The Investment Monitoring Committee is authorized by the Board of Directors to obtain any information you need regarding the purpose and responsibilities of the company's management.

5- Responsibilities:

1 - Work with the executive management to develop a strategy and policy for investment in the company, in line with the nature of its business, activities and risks it is exposed to, and make a recommendation thereon.
2 - Reviewing the investment strategy and policy periodically to ensure its suitability to changes that may occur in the external environment in which the company operates, or the legislation regulating its business, or its strategic objectives, or others, and recommending the Board of Directors regarding the proposed changes to this policy.
3- General supervision of the company's investment activities and setting appropriate procedures for measuring and evaluating investment performance.
4 - Studying and evaluating the investment opportunities proposed by the company’s management in relation to automated transactions and making recommendations about them:

- Mergers or acquisitions of companies, businesses, or assets.
- Any termination, sale, transfer of ownership, exit from or disposal of an existing investment.
- Investing in new or existing projects or in expansion projects and expansions of projects in which the company has an interest.
- Any investment opportunity that the company's management would like to enter.
- Studying the financing possibilities for the above-mentioned transactions.

5 - Ensure that the proposed investment opportunities comply with the relevant rules, regulations, and instructions.

6 - Determining and prioritizing the proposed investment offers.
7 - Studying periodic reports from the executive management on the progress of the approved investment opportunities.

D - The Investments Committee held One (1) meeting in 2022:

No.	Date of Meeting	No. of attendants	Attendants by Proxy	Name of Absent Members
1	09 / 06 / 2022	Four members	-	-

9 - Internal Control System:

The Board Internal Control Department is comprised of:

Member Name	Capacity	Qualification
Mr. Zakir Shaber Hussain	Auditor and Head of Internal Control Department	Bachelor's Degree in commerce major: accounting (1990) Chartered Accountant Certificate (1997)
Mr. Ahmed Ali Abdul Dayem	Compliance Officer	Bachelor's Degree in law (2009)
Mr. Pithawala Zoeb Mohammed	Accountant	Bachelor's Degree in commerce major: Accounting (1993)

The Board acknowledges its responsibility for the Internal Control System in the Company, and that the Internal Control Department has carried out its duties as follows:

1) Ensuring the compliance of the Company and its employees to the applicable laws, regulations, and resolutions.
2) Laying down the internal policies and procedures used to prepare the financial statements.
3) Reviewing the financial statements including the main control elements, financial affairs, operations, and risk management.

4) Reporting the results of auditing to the Board and enabling it to assess the internal control and efficiency of risk management.
5) The Company had no problems in 2022.
6) The Board and its Committees were informed that there were no emergency unexpected conditions that substantially affected the Company's financial position.
7) The Internal Control Department has prepared the Corporate Governance Report (CGR) of 2022.

- Number of reports issued by the Internal Control Department to the Company's Board of Directors:

  - Two internal audit reports were issued during 2022.

10 - Violations:

- No violations were reported against the Company in 2022.

11 - The Company's Contribution in 2022 to the Local Community Development and Environmental Conservation:

- National cement company (NCC) is one of the oldest and leading companies for cement manufacturing in the UAE. Minimization of resource consumption and recycling of waste are important factors for ensuring the future welfare of humankind. That is why NCC has taken the lead step by collaborating with Dubai municipality for recycling some of the industrial wastes that are being produced from other industries. Waste recycling is taking place along with the production of cement; therefore, a very strict quality control system is applied to ensure that the quality of the final product (cement) is not compromised when incorporating waste recycling.
- NCC monitors closely GHGs emitted from its cement factory with a continuous online analyzer for these gases. In addition to that, one of the main points in the management strategy is the utilization of alternative fuel which helps in reducing GHGs. It also monitors closely the soil quality and air quality and noise levels in the surrounding area where its assignees an external laboratory to carry out these tests regularly throughout the year.
- In addition to the government regulations and Ministerial decree number (137) for 2012, NCC has developed its guidelines and policies for waste recycling. Moreover, it possesses ISO 14001 certification for environmental management which certifies that NCC is following the international best practice in its environmental operations.

12 - General Information:

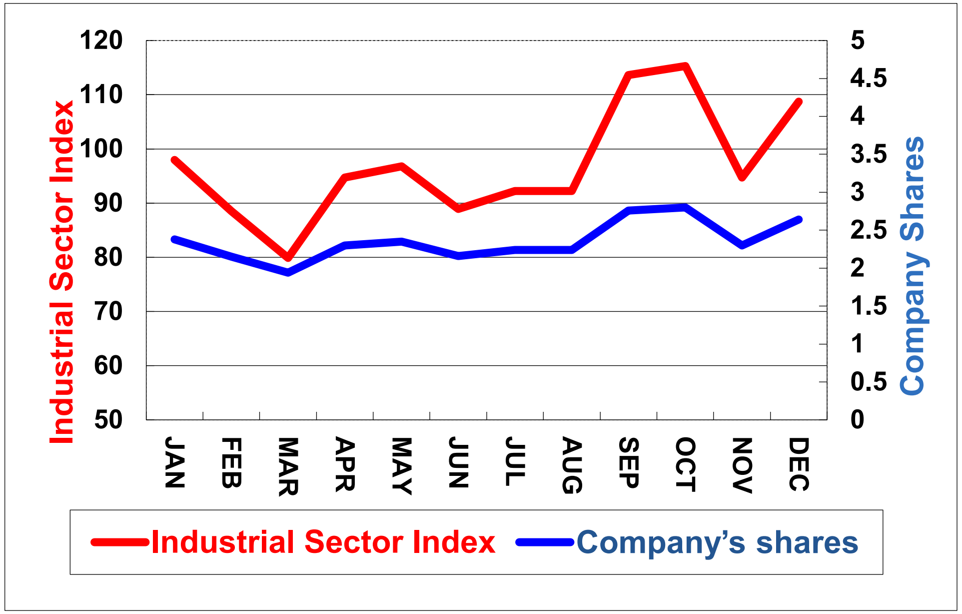
A - Company Share Price in 2022:

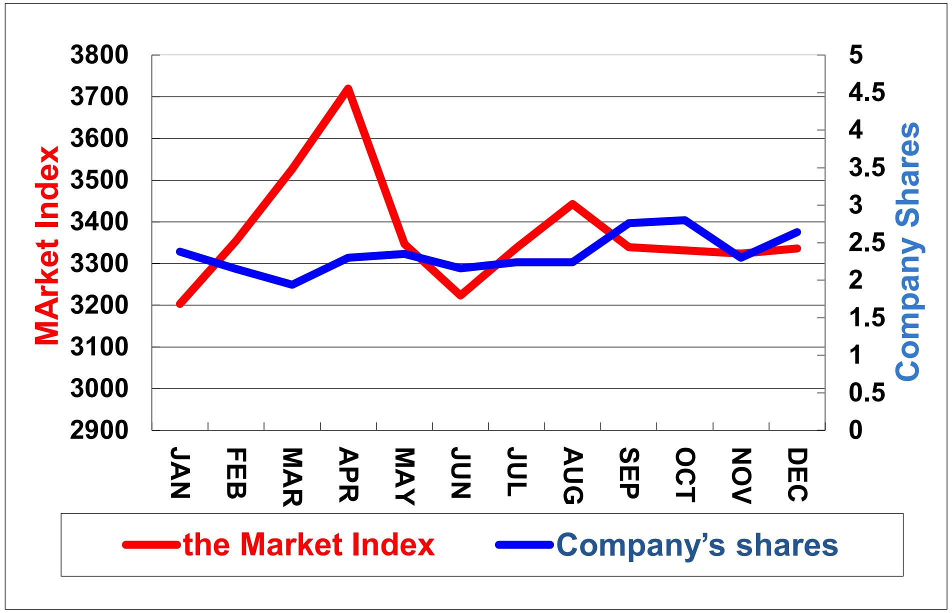
Month	Closing Price	Highest Price	Lowest Price
January	2.380	2.400	2.020
February	2.150	2.150	2.150
March	1.940	1.940	1.940
April	2.300	2.300	2.230
May	2.350	2.350	2.300
June	2.160	2.400	2.120
July	2.240	2.480	2.240
August	2.240	2.240	2.240
September	2.760	2.760	2.390
October	2.800	2.890	2.800
November	2.300	2.550	2.300
December	2.640	2.640	2.640

B - Comparative Performance:

A statement of the comparative performance of the Company's shares with the Industrial Sector Index

A statement of the comparative performance of the Company's shares with the Market Index





C - Statement of the shareholders ownership distribution as on 31/12/2022:

S.N.	Category	Local	Arab	Foreign	Total
1	Companies	78.78 %	1.93 %	0.18 %	80.89 %
2	Individuals	11.40 %	7.18 %	0.53 %	19.11 %
3	Governments	0 %	0 %	0 %	0 %
Total		90.18 %	9.11 %	0.71 %	100 %

D - Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2022:

Shareholder Name	Number of Shares	% Of Shares Held
Al Ghurair Private Co.	136,245,302	37.97%
Al Ghurair Investment	104,411,910	29.10%

E - Statement of how shareholders are distributed according to the volume of property as on 31/12/2022:

S/N	Shares Owned	Number of Shareholders	Number of Shares Held	% Of Shares Held to the Capital
1	Less than 50.000	165	1,813,271	0.505%
2	From 50.000 to less than 500.000	101	17,310,370	4.824%
3	From 500.000 to less than 5.000.000	36	50,640,511	14.113%
4	More than 5.000.000	7	289,035,848	80.556%

F - Statement of measures taken regarding the controls of investor relationships:

An investors' relations webpage has been established, providing all the contact information of the Investors' Relations Officer. Furthermore, the Corporate Governance Report and the of Association are available on the Company's website.

Name and Contact Information of the Investors' Relations Officer:

Name	Tel.	Direct Line	Mobile	Email	Investor Relations link
Mr. Ahmed Abdel Dayem	00971 4 3388885	00971 4 3047295	00971 52 9186583	PRO@NATIONALCEMENT.AE	WWW.NATIONALCEMENT.AE

I - Statement of the special decisions presented in the General assembly held during 2022 and the procedures taken in their regard:

- No special decisions were taken in the General Assembly held in 2022.

J - Rapporteur of the Board meetings:

- Name of the Rapporteur of the Board meetings: Ahmed Abdel Dayem.
- Date of Appointment: 29/12/2012.

K - Significant Events that the Company encountered during 2022:

- No significant events the Company encountered during 2022.

L - Statement of the transactions that the company has made with related parties during 2022 that are equal to or more than 5% of the company's capital:

- None.

M - Statement of Emiratization percentage in the Company at the end of 2020, 2021 and 2022:

- The Emiratization percentage at the end of 2020,2021 and 2022, after excluding workers, reached about 1.33 %.

N - Statement of innovative projects and initiatives carried out by the company or being developed during 2022:

- One of the direct results of using Alternative Fuels as a source of energy in cement factories is the reduction of greenhouse gases as a result of fossil fuel reduction.

- For scope 1 GHG emissions include the CO_2 emissions from fuel consumption and limestone calcination. In 2022, the total emissions from NCC factory were 602.24 Gg of CO_2.

- For scope 2 GHG emission includes emissions resulting from the generation of purchased or acquired electricity. In NCC, the total indirect CO_2 emissions from purchased electricity for the year 2022 were recorded to be 28.28 Gg of CO_2.which represents a reduction of 30% from the previous year.

- In terms of the CO_2 emission associated with clinker production. In 2022 the CO_2 emission recorded for NCC was 0.819 tons of CO_2 per ton clinker.

May Allah Guide us to the Right Path,

Chairman	Head of Audit committee	Head of Nomination and Remuneration Committee	Director of Internal Control Department
Rashid Saif Al Ghurair	Salem Ali Abdullah Al Sharhan Al Nuaimi	Raja Mohammed Ghanem Saeed Al Mazrouei	Zakir Shobeir Hussain
Date: 28 / 03 / 2022	Date: 28 / 03 / 2022	Date: 28 / 03 / 2022	Date: 28 / 03 / 2022

شركة الإسمنت الوطنية ش.م.ع.

NATIONAL CEMENT CO. P.S.C.

SUSTAINABILITY REPORT 2022

2022

FOR A BETTER FUTURE … FOR A BETTER WORLD

A Message from The General Manager

> **Sustainability is a key factor in our business and has many aspects. For me it means maintaining stability, standing by the community and the environment, and continuous development.**

Ladies and Gentlemen,

As I reflect back on our accomplishments in 2022, I am very proud of how the NCC family is building a more sustainable company and a more sustainable earth through hard work and dedication, making NCC a leader in the manufacturing and building industries.

We are driving our sustainability agenda and accelerating on our ambitions. In 2022, we anchored the core topics of sustainability even more firmly in our organization with the commissioning of our Waste Heat recovery system (WHR). As a result, our carbon footprint related to the electricity consumption from the national grid has reduced to around 30% of the consumption of the previous year.

Building the future means building in a better, smarter, and more sustainable way. In 2023, we will continue to harness the advantages offered by decarbonization, digital transformation, and business model innovation to benefit our customers, employees, suppliers, and communities. As always, we will do so with integrity, compassion, humanity, and accountability, as we seek to shape a better and greener future for all.

We are constantly developing our sustainability reporting in order to increase transparency and create a solid basis for dialogue with you, our stakeholders. In the months and years to come, we will continue to work diligently to drive the issue of sustainability forward – in our strategy as well as in all day-to-day business processes and decisions. I look forward to you being at our side as we do so.

Mohamed Abdullah A. Al Ghurair
General Manager

Inside The Report

Overview

Corporate Governance

Environmental Sustainability

Social Sustainability

Appendix

About The Report

National Cement Company is delighted to publicly disclose on its sustainability performance for the third time for the year 2022 for a better transparency and a better sustainable decision making. NCC has always and will always be a positive contributor to the community and its surrounding, taking the industry to another level of sustainable practices. NCC serves the local market as well as GCC countries.

This report aims to cover NCC's sustainability performance for the period between January 1st till December 31st 2022 in the emirate of Dubai. It has been prepared in accordance with the core options of Global Reporting Initiative (GRI) standards. It also takes into consideration the United Nation Sustainable Development Goals and Dubai Financial Market (DFM) ESG Reporting Guide for the Key Performance Indicators.

The report covers the sustainability performance of NCC with regards to the three main pillars, Governance, Environmental and Social sustainability. The report is structured according to these pillars, making it clear and easy to follow. The material topic has been determined by external and internal stakeholder through a cross department sustainable group, senior management inputs, and materiality assessment workshops.

Overview

1968

Founded in Dubai 1968
under the patronage of late
H.H. Sheikh Rashid Bin Saeed
Al Maktoum.

1978

- Commissioned with a clinker capacity of 500.000 ton per year
- Wet Process.

1981

- Converted to dry process
- Upgraded, and the capacity increased to 700,000 ton per year.

2022

- Production capacity around 1,200,000 ton per year of clinker.
- Cement grinding capacity of about 1.5 Million tons per year.
- Producing OPC, SRC, MSRPC & GGBS.

Business Overview

How Did We Start?

National Cement Company, Dubai has been founded in 1968 under the patronage of the late His Highness Sheikh Rashid Bin Saeed Al Maktoum, the Former Ruler of Dubai. It had been the first serious stride towards setting up heavy industry in the Emirates of Dubai.

Project contracts were awarded in 1974 to M/s. Costain Civil Engineering to design and construct the cement works and to M/S. F.L. Smidth & Co. Ltd. For the supply of equipment and machinery. The design of the plant had taken into consideration the utilization of abundantly available coastal sand and inland sand in this region. The choice of these raw materials dictated the selection of the wet process for clinker production as the most suitable process for such raw materials. For overcoming the problem of the availability of good water for the process and cooling of the machinery, it was decided to use sewage wastewater in the process. The combination of these raw materials and the usage of sewage water as the main source for the process has made National Cement Company, Dubai a unique plant in the Middle East and even maybe in the world using such raw materials.

The plant was commissioned in the month of August 1978 for the production of 1500/- TPD of clinker. However, taking into consideration the soaring cost of energy in 1981 the management decided to convert the kiln from a wet process to a short three-stage pre-heater dry process kiln with an increase in production capacity from 1500 TPD to 1850 TPD. The contracts for this modification were concluded in June 1982 with M/S. SKET Export-Import, East Germany for reducing the energy cost, improving the process, and meeting the cement demand in Dubai in particular and in the U.A.E. in general. The plant had been successfully commissioned in February 1985. Subsequently, National Cement Company took a further step to increase the capacity by a small modification to the kiln pre-heater and the burning process and concluded a contract in 1989 with M/S. KHD Humboldt Wedag, West Germany to produce about 2100 TPD of clinker. Recently a new kiln modification work has been completed, the project was concluded with M/S. F.L. Smidth & Co. Introducing Kiln Feed Calciner and Four Stages Cyclone Preheater with the latest State of Art in clinker cooling technology by introducing SF Cross Bar Clinker Cooler. Moreover, a modern Tyre Burning System has been introduced just to create more savings in energy consumption and to assist in cleaning the environment by getting rid of plenty of used / unwanted rubber tires. Today the plant is producing about 3,300 TPD of clinker and the cement grinding capacity of the plant is about 1.5 million Mton. per annum. Moreover, during these years National Cement Company has taken a major share in the Dubai Market in particular and U.A.E. in general.

National Cement Company's range of production at present includes four types of cement in addition to grinding of pure granulated blast furnace slag which satisfies all present market demands. Nevertheless, the National Cement Company has the potential and technical know-how to meet the future demands for other types of cement. The following types of cement are being produced under a stringent quality control system to meet all the specified specifications.

1. Ordinary Portland Cement,
2. Sulphate Resistant Cement,
3. ASTM type II Cement,
4. Portland Blast furnace slag cement,
5. Ground Granulated Blast Furnace Slag.

Our Values

Our Vision, Mission, and Commitment

Mission

To supply high quality products and services to customers, and to continue to be the leading producer and supplier of cement in the region.

Vision

To be the most sustainable and competitive company in the industry.

Commitment

- To enhance customer satisfaction by providing quality products and services through competent, trained, and knowledgeable personnel and state of art technology.
- To promote teamwork and provide our staff with a safe and friendly working environment.

Corporate Governance

The board of directors is consisted of 7 members

5 meeting has been held for the board of directors during the year of 2022

Meet Our Board of Directors

Rashid Saif Ahmad Al-Ghurair

Chairman
Non-Independent
Non-Executive

Duration since first appointment: 5 years.

Currently, Mr. Rashid Saif Ahmad Al-Ghurair is Chairman for Taghleef Industries SAOG. He is also on the board of Mashreq Bank P.S.C., Sahara Petrochemical Co. and Al Jazeera Petrochemical Co.

Iyad Mazhar Saleh Malas

Vice Chairman
Non-Independent
Non-Executive

Duration since first appointment: 2 years.

Mr. Iyad Mazhar Saleh Malas is a member of the Board of Directors and CEO of Al Ghurair Group, and a member of the boards of directors of Al Shafar General Contracting Company, Bin Dawood Holding Company, and many other companies. He has MBA from George Washington University, USA

Thani Abdulla Suhail Al Zaffin

Board Member
Independent
Non-Executive

Duration since first appointment: 2 years.

Mr. Thani Abdulla Suhail Al Zaffin is the Vice Chairman of Emirates Real Estate Solutions and Digital Economy Solutions, and a member of the board of directors of Emirates Technology Solutions and Zajil parcel delivery company. He has a Bachelor's degree in computer science from California State University, USA.

Salem Ali Abdulla Alsharhan Alnuaimi

Board Member
Independent
Non-Executive

Duration since first appointment: 2 years.

Currently, Mr. Salem Alnuaimi is a member of the board of directors of the Dubai International Financial Canter and the American University of Ras Al Khaimah, and Ras Al Khaimah University of Medicine and Health Sciences. He holds Bachelor's degree in accounting and business administration from UAEU.

Meet Our Board of Directors -Cont.

Raja Mohammed Ghanim Almazrouie

Board Member
Independent
Non-Executive

Duration since first appointment: 2 years.

Ms. Raja Almazrouie is a board member at Harvard Business School in the Middle East and North Africa, Dubai Fintech Projects, Afkar Ventures, and the Arab Investment Bank and foreign trade. She has a Bachelor of Business Information Technology from Higher Colleges of Technology.

Omar Issam Ashur

Board Member
Independent
Non-Executive

Duration since first appointment: 2 years.

Mr. Omar Ashur is currently working as Chief Financial Officer of Future Management Group Limited and CEO of the Family Office at Future Holding Group. He holds an MBA in Finance, an MA in Business Economics and a PhD in Business.

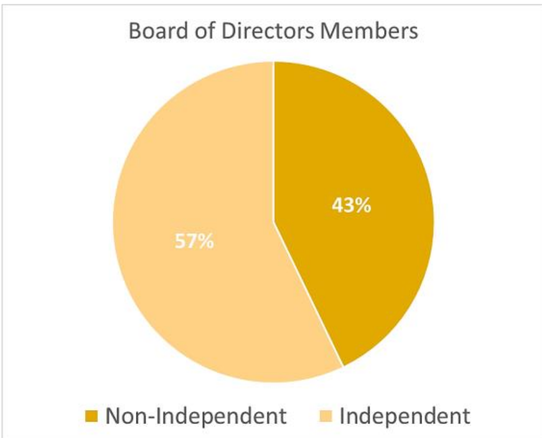
Sultan Abdulla Ahmed Al-Ghurair

Board Member
Non-Independent
Non-Executive

Duration since first appointment: 5 years.

Mr. Sultan Al-Ghurair is a member of the Audit Committee of Mashreq Bank, Director of Abdulla Al Ghurair Holding, CEO of Al Ghurair Properties LLC and Al Ghurair Energy DMCC, Vice Chairman of Libyan Emirates Refinery Company and Board Member of RAK Petroleum plc.

The role of the Board Chairman and the General Manager are distinct, separate and there is a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all Directors. The General Manager has the responsibility for all the company and its strategy, policy, and operational management.



NCC Board of Directors Overview

National Cement Company Board of directors currently comprises of seven directors as mentioned above. All the Board Members are non-executive. Out of the seven directors, four board members are independent and three board members are non-independent, fulfilling to the criteria of Article (40/2) of Resolution No.7 of 2016 of The Chairman of Authority's.

Currently, six out of seven board of directors of NCC are males and one director is a female as NCC is looking to increase the participation of women in the governance body of NCC. The female presence in NCC board of directors for the year 2022 was 14.30%.

NCC Committees

A total of three board committees has been appointed to look after specific takes. In addition to that a fourth internal committee consisting of 3 members of NCC executives appointed to oversee the board decisions implementation as well as preparing and reviewing the financial statements of the company.

The three board committees and their members together with their main tasks are as follow:

The Audit Committee

Salem Ali Abdulla Alsharhan Alnuaimi: Chairman
Iyad Mazhar Saleh Malas: Member
Thani Abdulla Suhail Al Zaffin: Member
Sultan Abdulla Ahmed Al-Ghurair: Member

Main Tasks:

- Follow up and monitor the external auditor.
- Monitoring the integrity of the company's financial statements.
- Reviewing the company's financial control, internal control and risk management systems.
- Monitoring the extent to which the company adheres to the rules of professional conduct.

Nomination and Remuneration Committee

Raja Mohammed Ghanim Almazrouie: Chairman
Thani Abdulla Suhail Al Zaffin: Member
Omar Issam Ashur: Member

Main Tasks:

- Ensure the independency status of the independent board members.
- Make recommendation on rewards, benefits and remuneration to the company's senior executive management.
- Prepare, monitor and review the company's human resources and training policies.

Investment Follow-up Committee

Iyad Mazhar Saleh Malas: Chairman
Rashid Saif Ahmad Al-Ghurair: Member
Salem Ali Abdulla Alsharhan Alnuaimi: Member
Raja Mohammed Ghanim Almazrouie: Member

Main Tasks:

- Follow up with the company investments.
- Oversees the company investment plans and strategies.
- Asses investment performance.

NCC Stakeholders

Shareholders

NCC engages with its shareholders through committee and board meetings, formal reports and updates.

Guiding principles:

- To conduct our business in conformance with all legal requirements and to the highest moral and ethical standards.
- To plan and undertake all business opportunities in a professional manner, weighing risk exposure against identified returns.
- To deliver a planned and progressive increase in financial returns to our owners.

Customers

NCC engages with its customers through online platforms, newsletters and regular customer satisfaction surveys.

Guiding principles:

- To provide value added assistance that consistently meets agreed requirements and specifications.
- To accept contracts only if we can meet our customers' requirements and where those requirements are compatible with our expertise and business activities.
- To provide products and services that meet and exceed the customer expectation.

Employees

NCC engages with its employees through surveys, newsletters, and performance assessment.

Guiding principles:

- To ensure that the working environment and conditions are conducive for effective working and constitute minimum hazards for all employees
- To provide a climate where employees are given the opportunity to maximize their potentials and to participate fully in the operation of the business.

Community

NCC engages with its community through volunteering, sponsorships and lead by example.

Guiding principles:

- To create job opportunities for the local community and support causes.
- To minimize any adverse impact on the environment that results from our business.
- To create awareness regarding sustainability.
- To help divert waste from landfilling as per UAE vision 2030.

Suppliers

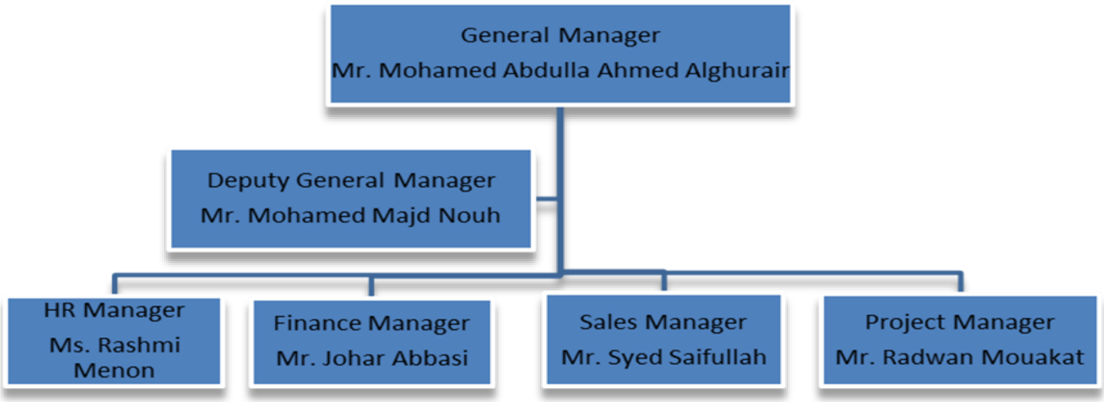
NCC engages with its suppliers through procurement process, code of conduct, meetings and workshops.

Guiding principles:

Partnership with reliable suppliers and provide a long-lasting partnership.

Ensure that every supplier is compliance to NCC procurement process and code of conduct. In 2022 100% of the suppliers were compliant.

NCC Organizational Structure

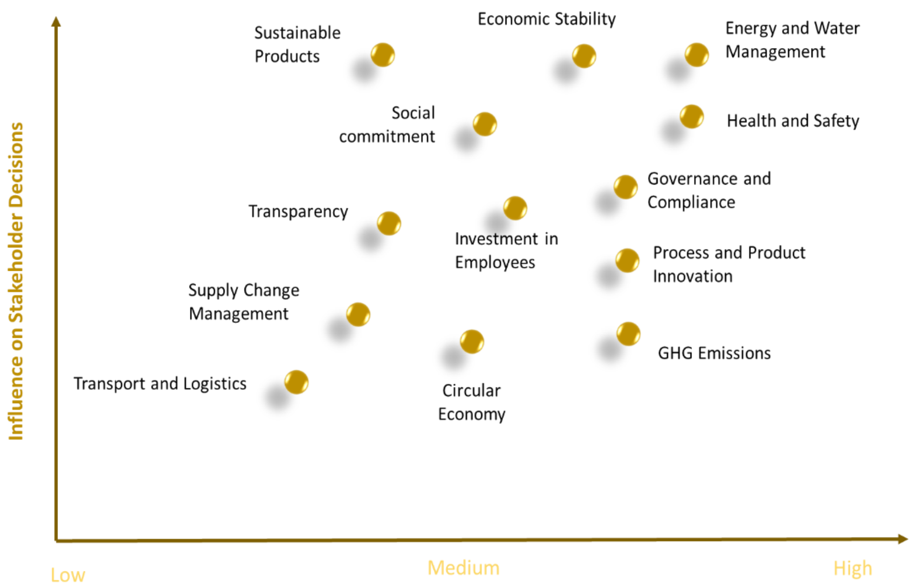


What Matters to Us the Most?

Materiality Assessment

NCC understands the importance of engaging with its stakeholders as a key for success, and that our sustainability journey is not one we make in isolation. It is influenced and driven by both our internal and external stakeholders, ranging from our employees, our partners and to the communities in which we operate. Our material topics are determined by workshops held regularly. The objective of these workshops is to identify and priorities issues or material topics and better support our reporting and decision making. Addressing key questions will enable us to have smart, sustainable and inclusive growth that is both profitable and sustainable.

During 2020, internal and external key stakeholders took part in a materiality survey to identify key topics that may impact on the way we do business. These workshops gave us great insight into how we can continue to serve and build a stronger long-term relationship with our stakeholders, in return creating shared value for everyone involved. The following matrix shows the most important materiality topics for National Cement Company.



Environmental Sustainability

01 **Alternative Fuel**

7.01 thousand MTons of Alternative Fuel used in NCC in 2022.

02 **Water**

320 thousand m3 of water used in NCC in 2022.

03 **Green House Gases**

In 2022 CO_2 emission factor was 0.819 ton CO_2 per ton clinker

Environmental Overview

Energy Alternative Fuel and GHG

National cement company (NCC) is one of the oldest and leading companies for cement manufacturing in the UAE. Minimization of resource consumption and recycling of waste are important factors for ensuring the future welfare of humankind. That's why NCC has taken the lead step by collaborating with Dubai municipality for recycling some of the industrial wastes that are being produced from other industries. Waste recycling is taking place along with the production of cement; therefore, a very strict quality control system is applied to ensure that the quality of the final product (cement) is not compromised when incorporating waste recycling.

NCC monitors closely GHGs emitted from its cement factory with a continuous online analyzer for these gases. In addition to that, one of the main points in the management strategy is the utilization of alternative fuel which helps in reducing GHGs. It also monitors closely the soil quality and air quality and noise levels in the surrounding area where it assignees an external laboratory to carry out these tests regularly throughout the year.

In addition to the government regulations and Ministerial decree number (137) for 2012, NCC has developed its guidelines and policies for waste recycling. Moreover, it possesses ISO 14001 certification for environmental management which certifies that NCC is following the international best practice in its environmental operations.

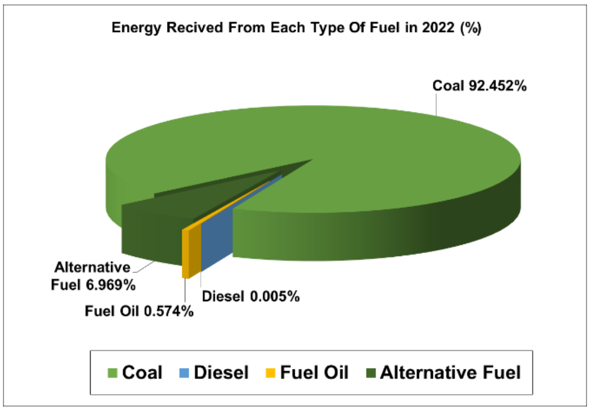
In terms of energy performance, NCC is having a daily management meeting where the energy performance and review are discussed daily.

Energy and Fuel

There are four main sources of thermal energy in the NCC factory, these are:

- Coal, (the main source of energy)
- Fuel Oil,
- Diesel,
- Alternative Fuel.

The following figure shows the percentage of total energy received from each type of fuel used in NCC:



When we look at the energy in terms of the total thermal energy consumed in NCC, putting into consideration coal as the prime source of energy we find that the total thermal energy consumed in 2022 was around 2.47 million GJ

In terms of energy consumption for clinker manufacturing, in 2022 an average of 802 kcal/kg of clinker was recorded.

Water Consumption

Water is a vital element for any industry, it is mainly used in NCC for process uses and domestic uses. The process uses mainly involves the cooling tower for machinery cooling. It also involves cooling gasses and capturing dust particles in kiln gases conditioning towers along with other miner uses. In NCC, water consumption for the year 2022 was recorded to be around 320 thousand m^3.

Alternative Fuel

National Cement Company is aspiring to be one of the most environmentally friendly plants in the region, therefore, several projects have been executed to reduce the consumption of fossil fuel and substitute it with alternative fuels to reduce its carbon footprint and preserve national resources.

Some of the current projects that are taking place in NCC factory are:

Waste Heat Recovery

NCC is equipped with a Tire Derived Fuel (TDF) system, and gravimetric weigh feeder (Pfister). The choice of feeding strategy depends upon the type, physical and chemical characteristic of the fuel. Some of these fuels are:

- Food items and chocolate,
- Plastic products and cotton rags
- Grease and waste oil,
- Tires and rubber pieces,
- Paint sludge, paint powder and resins,
- Waste paper and cartons,
- Wood, carbon dust, tobacco,
- Other burnable.

Mineral Industrial Waste Used as Raw Materials

These are industrial wastes that are being generated from different companies and being incorporated with raw materials. The waste material will be mixed with the raw materials in a calculated manner before processing it in the plant. Mixing of the waste material will be according to its chemical composition which will determine the type of raw material that will be mixed with.

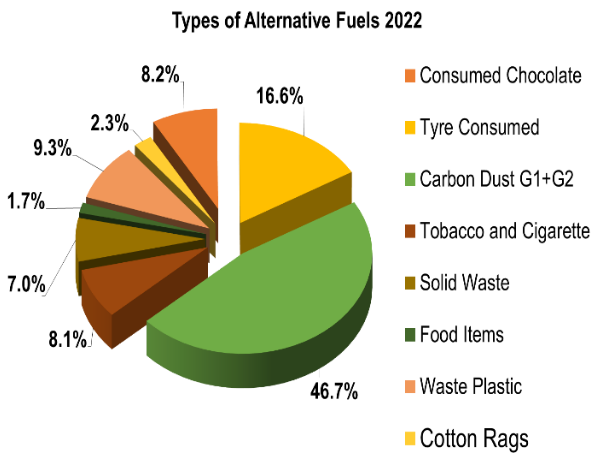
The total Industrial (non-burnable) waste materials consumed in NCC in 2022 is estimated to be around 42 thousand metric tons.

Bailing and Wood Shredding Machines

As per the NCC vision which aims to reduce fossil fuel and increase the use of alternative fuel to provide a clean source of energy, another strategy was made to get rid of the in-house waste internally by burning them inside the system. This plan came to life in August-2017 after which 100% of NCC-generated waste is being disposed internally. Wastes from NCC factory and labor camp are being accumulated bailed into blocks and then fed to the kiln through the TRF system. In 2022 the quantity of domestic waste disposed internally is around 163 ton.

In addition to that, a wood shredding machine was installed in 2018 to increase the utilization of alternative energy. It is being used as means of preparation to shred big pieces of wood into a fine powder which is being fed through a Pfister weigh feeder.

The following figure shows the distribution of the main streams of Alternative fuel used in NCC's kiln in the year 2022, where the highest percentage of waste was recorded for carbon dust with a percentage of 46.70% followed by scraped tires with a percentage of 16.60%.



In terms of the overall alternative fuel (burnable) consumed in the kiln, the highest percentage achieved of waste utilization was recorded in 2022 with a quantity of 7.01 thousand metric tons. This quantity is equivalent to a thermal substitution percentage of about 7.00% of the total required thermal energy for the kiln in 2022.

Green House Emission

One of the direct results of using Alternative Fuels as a source of energy in cement factories is the reduction of greenhouse gases as a result of fossil fuel reduction.
For scope 1 GHG emissions include the CO_2 emissions from fuel consumption and limestone calcination. In 2022, the total emissions from NCC factory were 602.24 Gg of CO_2.

For scope 2 GHG emission includes emissions resulting from the generation of purchased or acquired electricity. In NCC, the total indirect CO_2 emissions from purchased electricity for the year 2022 were recorded to be 28.28 Gg of CO_2.which represents a reduction of 30% from the previous year.

In terms of the CO_2 emission associated with clinker production. In 2022 the CO_2 emission recorded for NCC was 0.819 tons of CO_2 per ton clinker.

Social Sustainability

Total Number of employees 439 in 2022.

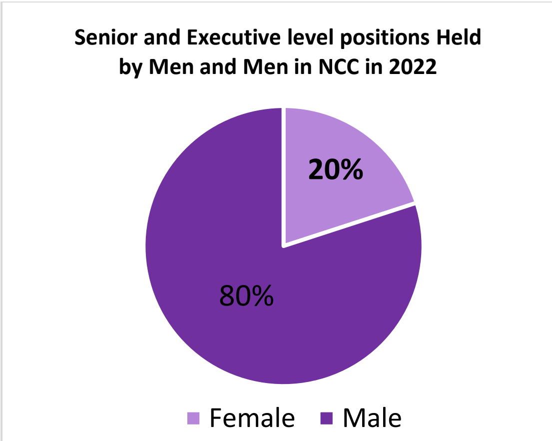
13,200 total man-hours of training in 2022.

Our Employees

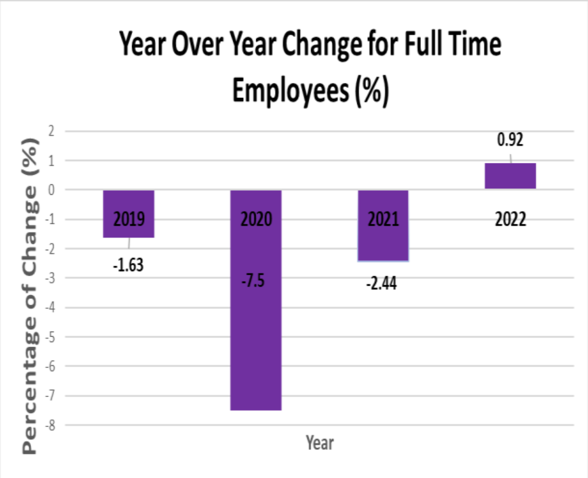
At National Cement Company, we consider employees to be our strengths. We understand how employee satisfaction translates into direct economic and social impacts for a company. Efficient employee management also improves employee retention, productivity, and overall engagement. We owe a lot of our achievements to the dedication, determination, and passion exhibited by our employees. Our employees have taken up our sustainability initiatives with purpose, enabling us to grow sustainably and responsibly. Consequently, we are dedicated to ensuring a safe and satisfactory work environment for our employees. In this line, our Healthcare Policy and EHS Policy were put in place with the efforts of the Human Resources Department and safety office to ensure that our employees are taken care of. We make continual efforts to provide a conducive environment to our employees for their growth and development which helps in building their careers. We aim to continue to improve our performance while focusing on employee engagement, interaction, training programs, etc.

Employee Headcount

NCC Cement recognizes that employee diversity in terms of multiple factors such as gender and age is important to facilitate sustainable, profitable, and responsible growth. As a growing company, we are constantly looking out for fresh talent along with experienced minds. By 2022, our total number of employees was recorded to be 439 employees. Out of which 99.30% were male and 0.70% were females. However, the representation in the senior and executive levels was about 20% for females and 80% for males, and we are looking for ways to increase this percentage furthermore in the future. The median compensation for males and females is equal. All NCC employees were full-time employees



In 2022 the percentage of change for the headcount was recorded to be +0.92%. The increase in headcount came naturally since NCC is well known for its high retention ratio during its +50 years of operation, and most of the staff were there throughout the entire journey which resulted in an increased percentage of retired staff and translated into new hires to compensate for the reduction in headcount during the next year. The entry and mid-level positions percentage for the year 2022 was recorded to be 10.25% of the total headcount all of which were males.



Health and Safety

Our occupational health and safety policy is applied all over the company. The basic principles governing this policy are detecting and managing the possible risks arising from our occupational activity, internal communication, and generating a safe and healthy working culture. It is also important to constantly search for solutions to prevent risks and improve working conditions and comply with health and safety legislation. In order to apply these principles, a formal occupational risk management system exists, and a follow-up in the form of internal and external audits. On the other hand, our safety office has run a program called Committed to Safety aimed at reaching zero damage and injury to people.

Our Health and Safety Policy follows the United Arab Emirates Regulations, including ISO-14001 and International Best Practice Standard. The Policy covers all employees, contractors, and visitors to all our production units, office buildings, workers' accommodations, and workshops, with our goal to prevent all accidents, injuries, and occupational illnesses. We also display safety bulletins and safety hazard posters in strategic areas around our factories to emphasize the importance of health and safety.

The Environment, Health, and Safety Office (EHSO) team are responsible for the day-to-day management of our health and safety systems. In 2022, the injury rate relative to the total workforce was recorded to be 0.00%.

Employee Benefits

- All employees are provided with medical insurance covering all work-related and non-work-related health issues or injuries and free health check-ups. Moreover, we have a monthly awareness campaign carried out by the health and safety office on a variety of topics including health and risks inside the workplace and outside the workplace.
- Retirement benefits such as gratuity are considered as defined benefit obligations; it is provided following UAE Laws.
- Women employees are entitled to maternity leave. All female employees are eligible for 45 days of maternity leave following UAE Laws and can be extended to another 45 days subject to management approval.
- Local minimum wage rules are followed, and employees are paid above the local minimum wage. Merit is the main parameter for recruitment. We are an equal-opportunity employer providing equal remuneration for women and men.
- All employees are granted leave travel allowance, graded according to their Company designation, paid at prevalent market rates.
- Employees are provided with accommodation following the NCC accommodation Policy. If no accommodation is provided, employees are provided with an accommodation allowance determined by their respective pay grades. Free transportation is provided to all employees residing in the emirate of Dubai.
- An annual bounce is being paid to the employees depending on the profit and as per the board of directors' decision. In 2022 a bounce equivalent to one month was given to every employee.

• Long Service Awards

Employees who spend more than a decade with the organization are felicitated with 'Long Service Awards. There are two categories for these awards, these are 15 years awards and 25 years awards. The award is being granted to the employees regardless of their grades.

Training and Development

in 2022, around 13,200 man-hours were spent undertaking employee education for all factory employees. The largest initiative was Manufacturing Excellence, which included the principles of lean manufacturing and Total Productive Maintenance cutting across various management levels. External industry webinars were widely attended by employees.

All employees receive regular performance and career development reviews. At the start of any year, employees along with their managers set out specific key performance indicators that the employee will work towards throughout the year, and employees are reviewed based on these metrics. As for the new joiners, the Human Resources team leads a general induction program for new starters, followed up by departmental-specific training organized by individual departments.

For factory employees, the induction training also covers detailed guidelines from the EHS office regarding health and safety at work. New starters are also provided with a copy of the Employee Code of Conduct during induction. Furthermore, all new employees receive a performance review upon completion of their probation period.

Sports & Leisure

A big part of employee well-being is to live an active life that involves exercising and practicing sports, therefore NCC has provided recreational facilities for the employees in both the factory and the worker's accommodation, including a gym, volleyball, and badminton courts, and a football field. NCC also organizes regular sports tournaments in chess, badminton, cricket, and football to stimulate the employees mentally and physically.

Community Engagement

NCC offers internship-training programs for talented students from local and international universities and hosts educational tours for students with visits to our manufacturing plants. This initiative inspires the next generation, who may wish to work in the cement industry in the future.

NCC has also participated in and sponsored several environmental initiatives organized by Dubai Municipality such as "Our Place, Our Planet, Our Responsibility" and "clean up the world" initiatives. In addition to that, NCC is listed as an accredited recycler for Dubai Municipality where it helps in Dubai's vision to achieve 100% of waste diversion from landfilling, being the only cement factory in Dubai with a scope of waste recycling and management. In addition to that, NCC is listed as an accredited recycler for Dubai Municipality where it helps in Dubai's vision to achieve 100% of waste diversion from landfilling, being the only cement factory in Dubai with a scope of waste recycling and management.

Indicators

3 key indicators
(ESG)

GRI Index

Performance Indicators

Governance

GRI Indicator	GRI Ref	2022	2021
Sales			
Net sales (million AED)	201-1	137.00	147.50
Cement (million tonnes)		0.712	0.744
Clinker (million tonnes)		0.058	0.300
Aggregates (thousand tonnes)		0.393	0.92
Materials			
Total clinker production – all segments (million tonnes)	301-1	0.735	0.81
Total cement production – all segments (million tonnes)		0.712	0.74
Total raw material consumption – all segments (million tonnes)		1.27	1.43
Alternative raw materials substitution rate – cement production (%)	301-2	5.84	2.93
Waste-derived resources – all segments (thousand tonnes)		48.60	31.30
Financial			
Revenue (million AED)		137.00	147.50
Profit/Loss (million AED)		(28.72)	48.97

Social

GRI Indicator	GRI Ref	2022	2021
Workforce			
Injury rates (%)	403-2	0.00	0.23
Deaths (%)		0.00	0.00
Full-time employees (%)	102-8	100	100
Part-time employees (%)		0.00	0.00
Employee turnover and retention			
Overall employee turnover rate (%)	401-1	7.80	7.70
Hirings (%)		10.25	6.15
Hours of training per employee	404-1	13,200	12,200
Diversity: Female Workforce			
Senior management level (%)	405-1	20	20
Non-management level (%)		0.44	0.44
Women in total workforce (%)		0.68	0.68

Environmental

GRI Indicator	GRI Ref	2022	2021
Waste and recycling			
Burnable hazardous waste disposed of (thousand tonnes)	306-2	7.00	9.49
Mineral Hazardous waste disposed of (thousand tonnes)		41.60	21.80
CO_2 emissions			
Specific CO_2 emissions – gross (kg/tonne clinker)	305-4	819	805
Total Scope 1 emissions (thousand tonnes of CO_2) (Cement, aggregates, ready-mix and own-power generation)	305-1	602	656
Total Scope 2 emissions (thousand tonnes of CO_2) (From the generation of purchased or acquired electricity)	305-2	28	41
Energy			
Total power consumption – all segments (MWh)	302-1	7.87	11.32
Total fuel consumption – all segments (million GJ)		2.47	2.62
Clinker production (Kcal/tonne clinker)		803	766
The thermal energy mix of clinker production (%)			
Dry Coal (thousand tons)		96.59	100.47
Oil (thousand tons)		0.36	0.35
Alternative fossil fuels (thousand tons)		7.00	9.49
Water			
Total water consumption – all segments (thousand m^3)	306-1	320	208
From treated effluent municipal water supplies (thousand m^3)		257	122
From drinking municipal water supplies (thousand m^3)		51	41
From other water sources (thousand m^3)		13	45

National Cement Company P.S.C.,
Dubai, AL QUOZ, NO.3
P.O. BOX 4041, DUBAI, U.A.E.
TEL: 04-3388885
FAX: 04- 3388886
www. nationalcement.ae
Cement@nationalcement.ae