Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Independent Auditor's report and financial statements
For the year ended December 31, 2018

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

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Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

General information

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Website	:	www.fujairahcement.com
The Auditor	:	Crowe Mak P. O. Box: 1650 Fujairah - United Arab Emirates

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Ref: JM/AR/F-19/001

Independent auditor's report

To,
The Shareholders
M/s. Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of M/s. Fujairah Cement Industries P.J.S.C., Fujairah - United Arab Emirates ("Entity") which comprise the statement of financial position as at December 31, 2018 and the statement of profit or loss, statement of other comprehensive income, statement of changes in shareholders' equity and statement of 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 Entity as at December 31, 2018, 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 Entity in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These 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 these matters.

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Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matter
Inventories	
The Entity's stock of raw materials, semi-finished products, burning media and finished products as at December 31, 2018 require an independent surveyor's to make estimate of the quantities by using certain systematic measurements/calculations. The areas of focus are whether the quantities reported by the surveyor are as per physical stock held by the Entity as at December 31, 2018 and valuation of inventories (including spare parts) at lower of cost or net realizable value as assessing net realizable value is an area of significant judgement.	- Reviewed the background and experience of the surveyor. - Corroborated the results of the surveyor's report to the inventory movement. - Verified the physical existence of inventory on sample basis. - Tested the valuation of inventory including review of judgments considered regarding obsolescence and net realizable value
Trade receivables	
The Entity is having significant trade receivables representing 11% of total assets and there is a risk over the recoverability of the overdue amounts. Due to the inherently judgmental nature in the computation of the expected credit losses (ECL), there is a risk that the amount of ECL may be misstated. The area of focus is the determination of recoverable amounts of receivables, as determining the recoverable amount of certain trade receivables can incorporate significant judgement based on various assumptions.	- Reviewed the adherence to the Entity's credit and collection policies and inquired whether there have been any changes from the prior year. - Reviewed system related controls over approval of credit limit of the customers - Reviewed the aged trade receivables. - Reviewed payments received subsequent to period end. - Reviewed the expected credit losses (ECL) model used by management for determining impairment. - Tested the input data used, both current and historical, and reviewed the assumptions used for ECL.

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Entity but does not include the financial statements and our auditor's report thereon. We obtained the Director's report prior to the date of this auditor's report and remaining information of the annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Independent auditor's report to the shareholders of
Fujairah Cement Industries P.J.S.C. (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Entity, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and the applicable provsions of the UAE Federal Law No. (2) of 2015, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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Independent auditor's report to the shareholders of Fujairah Cement Industries P.J.S.C. (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

Report on other legal and regulatory requirements

Subject to above, as required by the U.A.E. Federal Law No. 2 of 2015, we further confirm that,

1 We have obtained all the information and explanations which we consider necessary for our audit.

2 The financial statements have been prepared and comply in all material respects with the applicable provisions of the U.A.E. Federal Law No. 2 of 2015, and the Articles of Association of the Entity.

3 Proper books of account have been maintained by the Entity.

4 The contents of the Director's report which relate to the financial statements are in agreement with the Entity's books of account.

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Independent auditor's report to the shareholders of Fujairah Cement Industries P.J.S.C. (continued)

Report on other legal and regulatory requirements (continued)

5 The Entity holds an investment in an associate as disclosed in note 6 to the financial statements and has not made any investments in shares and stocks during the year ended December 31, 2018.

6 Note 27 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.

7 Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the U.A.E. Federal Law No. 2 of 2015 or the Articles of Association of the Entity which would materially affect its activities or its financial position as at December 31, 2018.

8 Note 23 to the financial statements discloses the social contributions made during the year ended December 31, 2018.

For Crowe Mak

James Mathew FCA, CPA (USA)
Senior Partner
Reg. No. 548

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FUJAIRAH
U.A.E.
CROWE MAK

February 07, 2019

Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2018
(In Arab Emirates Dirham)

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	4	**1,220,082,324**	1,242,501,823
Concession rights	5	**-**	1,100,000
Total non-current assets		**1,220,082,324**	1,243,601,823
Current assets			
Investment in an associate - held for sale	6	**13,535,182**	13,561,000
Inventories	7	**339,359,688**	291,283,921
Trade receivables	8	**194,605,942**	176,008,071
Advances, deposits and other receivables	9	**6,203,776**	4,455,974
Cash and bank balances	10	**16,834,898**	13,575,591
Total current assets		**570,539,486**	498,884,557
Total assets		**1,790,621,810**	1,742,486,380
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	11	**355,865,320**	355,865,320
Statutory reserve	14	**160,876,827**	159,518,295
Voluntary reserve	15	**222,536,002**	222,536,002
Retained earnings	16	**300,716,317**	313,141,451
Total shareholders' equity		**1,039,994,466**	1,051,061,068
Non-current liabilities			
Bank borrowings - non-current portion	17	**276,235,107**	222,214,020
Employees' end of service benefits	18	**15,977,927**	16,214,496
Total non-current liabilities		**292,213,034**	238,428,516
Current liabilities			
Trade and other payables	19	**143,612,781**	142,296,238
Bank borrowings - current portion	17	**314,801,529**	310,700,558
Total current liabilities		**458,414,310**	452,996,796
Total liabilities		**750,627,344**	691,425,312
Total shareholders' equity and liabilities		**1,790,621,810**	1,742,486,380

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 2 to 6.

The financial statements on pages 7 to 36 were approved by the Board of Directors on February 07, 2019 and signed on its behalf by:

Chairman **Board member**

Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Statement of profit or loss for the year ended December 31, 2018
(In Arab Emirates Dirham)

	Notes	**2018**	2017
Revenue	20	**614,559,217**	620,824,707
Cost of sales	21	**(496,175,641)**	(477,326,515)
Gross profit		**118,383,576**	143,498,192
Selling and distribution expenses	22	**(71,660,161)**	(69,884,461)
General and administrative expenses	23	**(15,058,190)**	(23,598,175)
Amortization of extraction and concession rights	5	**(1,100,000)**	(2,200,000)
Finance costs	24	**(19,397,264)**	(12,826,116)
Other income	25	**2,443,174**	2,062,388
Share of (loss) from associate	6	**(25,818)**	
Profit for the year		**13,585,317**	37,051,828
Basic and diluted earnings per share (U.A.E. Fils)	12	**3.8**	10.4

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 6.

Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Statement of other comprehensive income for the year ended December 31, 2018
(In Arab Emirates Dirham)

	2018	2017
Profit for the year	**13,585,317**	37,051,828
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remuneration to the Board of Directors	**(3,300,000)**	(3,300,000)
Total comprehensive income for the year	**10,285,317**	33,751,828

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 6.

Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Statement of changes in shareholders' equity for the year ended December 31, 2018
(In Arab Emirates Dirham)

	Share capital	**Statutory reserve**	**Voluntary reserve**	**Retained earnings**	**Total shareholders' equity**
Balance as at December 31, 2016	355,865,320	155,813,112	222,536,002	304,446,725	1,038,661,159
Profit for the year	-	-	-	37,051,828	37,051,828
Remuneration to the Board of Directors	-	-	-	(3,300,000)	(3,300,000)
Total comprehensive income	-	-	-	33,751,828	33,751,828
Transferred to statutory reserve	-	3,705,183	-	(3,705,183)	-
Dividend paid	-	-	-	(21,351,919)	(21,351,919)
Balance as at December 31, 2017	355,865,320	159,518,295	222,536,002	313,141,451	1,051,061,068
Profit for the year	-	-	-	13,585,317	13,585,317
Remuneration to the Board of Directors	-	-	-	(3,300,000)	(3,300,000)
Total comprehensive income	-	-	-	10,285,317	10,285,317
Transferred to statutory reserve	-	1,358,532	-	(1,358,532)	-
Dividend paid	-	-	-	(21,351,919)	(21,351,919)
Balance as at December 31, 2018	**355,865,320**	**160,876,827**	**222,536,002**	**300,716,317**	**1,039,994,466**

The accompanying notes form an integral part of these financial statements.
The report of the auditor is set out on pages 2 to 6.

Fujairah Cement Industries P.J.S.C.
Fujairah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2018
(In Arab Emirates Dirham)

	2018	2017
Cash flows from operating activities		
Profit for the year	**13,585,317**	37,051,828
Adjustments for:		
(Gain) on disposal of property, plant and equipment	**(799)**	(2,998)
Depreciation on property, plant and equipment	**50,630,894**	49,116,831
Allowance for doubtful debts	**147,813**	-
Allowance for slow-moving spare parts	**-**	1,000,000
Amortization of extraction and concession rights	**1,100,000**	2,200,000
Provision for employees' end of service benefits	**2,232,590**	2,081,377
Share of (loss) from associate	**25,818**	
Finance cost	**19,397,264**	12,826,116
Operating profit before changes in operating assets and liabilities	**87,118,897**	104,273,154
(Increase)/decrease in current assets		
Inventories	**(48,075,767)**	(82,901,989)
Trade receivables	**(18,745,684)**	(16,351,183)
Advances, deposits and other receivables	**(1,747,802)**	1,224,841
Increase/(decrease) in current liabilities		
Trade and other payables	**1,049,107**	50,360,444
Cash generated from operations	**19,598,751**	56,605,267
Employees' end-of-service benefits paid	**(2,469,159)**	(1,000,150)
Net cash from operating activities	**17,129,592**	55,605,117
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(28,211,396)**	(24,392,371)
Proceeds from disposal of property, plant and equipment	**800**	3,000
Net cash (used in) investing activities	**(28,210,596)**	(24,389,371)
Cash flows from financing activities		
Proceeds from term loans	**113,626,653**	174,621,737
(Repayment) of term loans	**(149,836,781)**	(206,279,825)
Proceeds from other bank borrowings, net	**94,332,186**	36,915,084
Dividends paid	**(21,372,187)**	(21,609,694)
Remuneration paid to the Board of Directors	**(3,300,000)**	(3,300,000)
Finance cost paid	**(19,109,560)**	(13,103,837)
Net cash from/(used in) financing activities	**14,340,311**	(32,756,535)
Net increase/(decrease) in cash and cash equivalents	**3,259,307**	(1,540,789)
Cash and cash equivalents, beginning of the year	**13,575,591**	15,116,380
Cash and cash equivalents, end of the year	**16,834,898**	13,575,591

Cash and cash equivalents:		
Cash in hand	**115,137**	100,062
Bank balances - current accounts	**16,719,761**	13,475,529
	16,834,898	13,575,591

The accompanying notes form an integral part of these financial statements.

The report of the auditor is set out on pages 2 to 6.

1 Legal status and business activities

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

1.2 The Entity is licensed to engage in manufacturing of cement and erecting, operating and managing the required stores and silos necessary for this purpose, formation or participation in the formation of industrial companies and other similar activities.

1.3 The registered address of the Entity is P.O. Box: 600, Fujairah - United Arab Emirates.

1.4 These financial statements incorporate the operating results of the Industrial license no. 80001.

2 New standards and amendments

2.1 New standards and amendments - applicable January 1, 2018

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 1, 2018.

IFRS 9 Financial Instruments and associated amendments to various other standards.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards.

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2.

Annual improvements 2014-2016 cycle

Transfers of Investment Property – Amendments to IAS 40

Interpretation 22 Foreign Currency Transactions and Advance Consideration

2.2 New standards and amendments issued but not effective for the current annual period.

The following standards and interpretations had been issued were not mandatory for annual reporting periods ending December 31, 2018.

New and revised standards and amendments	**Effective for annual periods beginning on or after**
IFRS 16 - Leases	January 1, 2019. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact, except as disclosed in note 2.4, on the financial statements in the period of initial application.

2.3 Impact of standards adopted in 2018

2.3.1 IFRS 15 Revenue from Contract with Customers

The Entity has assessed that the impact of IFRS 15 is not material on the financial statements as at the adoption date and the reporting date.

2 New standards and amendments (continued)

2.3 Impact of standards adopted in 2018 (contiued)

2.3.2 IFRS 9 Financial Instruments

The Entity adopted IFRS 9 Financial Instruments from January 1, 2018. The effect of adoption of IFRS 9 on the opening balances of financial assets and retained earnings is not material to the financial statements.

2.4 Impact of standards issued but not yet applicable

2.4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and will supersede IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance lease is removed for leases. Under the new standard, both an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. The Entity has decided not to adopt the standard before its effective date.

The standard will affect primarily the accounting for the Entity's operating lease. At the reporting date, the Entity has non cancellable operating lease commitments of AED 289,062,882. The Entity, plans to use the recognition exemption for low value leases such as computers and to recognize on a straight line basis as an expense in the income statement.

3 Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements are presented in Arab Emirates Dirham (AED), which is the Entity's functional and presentation currency.

3.2 Basis of preparation

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in the financial statements are set out below.

3.3 Current/non-current classification

The Entity 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 normal operating cycle or held primarily for the purpose of trading or 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 normal operating cycle or it is held primarily for the purpose of trading or 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 Entity classifies all other liabilities as non-current.

3.4 Fair value measurement

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.

3 Significant accounting policies (continued)

3.4 Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the Entity.

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 best economic 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.

3.5 Foreign currency

The transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.6 Property, plant and equipment

Land is stated at cost.

Other property, plant and equipment (except for capital work-in-progress) are stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprises of the purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment (other than freehold land and properties under construction), using the straight-line method over its useful lives as

	Years
Buildings	8 to 35
Plant and machinery	6 to 35
Furniture and fixtures	4
Vehicles and mobile plant	4
Tools and equipment	4
Quarry development costs	6 to 20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

Capital work in progress

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

3 Significant accounting policies (continued)

3.7 Investment in an associate

An associate is an investee in which the Entity 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 results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investment in the associate is initially recognised at cost and adjusted thereafter to recognise the Entity's share of profit or loss and other comprehensive income of the associate. When the Entity's share of losses of the associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), the Entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Investment in the associate is accounted for using the equity method from the date on which the investee becomes an associate and any excess of the cost of the investments over the Entity's share of the net fair value of the identifiable assets and liabilities of an associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Entity retains an interest in the former associate and the retained interest is a financial asset, the Entity measures the retained interest at fair value at the date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date equity method was discontinued and the fair value of the retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of associate. In addition, the Entity accounts for all amounts previously recognised in other comprehensive income in relation of that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Entity reduces its ownership interest in an associate, but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related asset or liabilities.

When the Entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Entity's financial statements only to the extent of interests in the associate that are not related to the Entity.

3 Significant accounting policies (continued)

3.8 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.9 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and carrying amount of the asset, are recognised in profit or loss.

3.10 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3.11 Financial instruments

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

3.12 Financial assets

Classification

The Entity classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and

- Those to be measured at amortised cost.

The classification depends on the Entity's business model for managing the financial assets and the contractual terms of the cash flows.

3 Significant accounting policies (continued)

3.12 Financial assets (continued)

Measurement

At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets comprises of trade receivables, deposits and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivable balances that are held to collect are subsequently measured at the lower of amortized cost or the present value of estimated future cash flows. The present value of estimated future cash flows is determined through the use of value adjustments for uncollectable amounts. The Entity assesses on a forward-looking basis the expected credit losses associated with its receivables and adjusts the value to the expected collectible amounts.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

Other financial assets

Other financial assets include both debt instrument and equity instruments. Debt instruments include those subsequently carried at amortized cost, those carried at FVTPL and those carried at FVTOCI.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

For trade receivables, the entity applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognized from initial recognition of the receivables. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9.

IFRS 9 replaces the "incurred loss" model in ISA 39 with an expected credit loss model. The Entity recognizes loss allowance for ECLs on trade receivables and cash and cash equivalents that are not measured at fair value through profit or loss.

The Entity recognizes loss allowance for Expected Credit Losses (ECL) on the trade receivables.

The Entity always recognizes lifetime ECL for trade receivables. The expected credit losses on the trade receivable are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3 Significant accounting policies (continued)

3.12 Financial assets (continued)

Impairment of financial assets (continued)

The Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Life time ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instruments that are possible within 12 months after the reporting date.

The Entity always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for the factors that are specific to the debtors, general economic conditions of the industries in which the debtors operate and an assessments of both the current as well as the forecast direction of conditions at the reporting date.

The Entity writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceeding.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

3.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of bank borrowings and payables, net of directly attributable transaction costs. The Entity’s financial liabilities include trade and other payables and bank borrowings.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trades payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Bank borrowings

Bank borrowings are recorded at the proceeds received, net of direct issue costs, if any. Finance charges are accounted on accrual basis and are added under payables (current liabilities) to the extent that they are not settled in the period in which they arise.

Dividends to shareholders

Dividends to shareholders are recorded as payable in the period in which such dividends are approved by the shareholders.

3 Significant accounting policies (continued)

3.13 Financial liabilities (continued)

Derecognition of financial liabilities

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

3.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.15 Inventories

Inventories are valued at the lower of weighted average cost or net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3.16 Borrowing costs

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

Where applicable, investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.18 Defined contribution plan

U.A.E. national employees of the Entity are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. Federal Law No. (7) of 1999. The Entity is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Entity with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the statement of profit or loss.

3 Significant accounting policies (continued)

3.19 Revenue recognition

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Entity may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT). A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

3.20 Leases

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

Entity as lessee

Assets held under finance leases are initially recognised as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Entity's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Significant accounting policies (continued)

3.21 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management is required to make judgements, assumptions and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements, assumptions and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Critical judgements in applying accounting policies

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity has transferred control of the goods to the customer. The management is satisfied that control has been transferred and that recognition of revenue in the current year is appropriate, in conjunction with the recognition f an appropriate warranty provision as applicable.

Business model assessment - classification and measurement of financial statements

Classification and measurement of financial assets depends on the results of business model test. The Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

Key sources of estimation uncertainty

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.

Calculation of loss allowance

When measuring the ECL the Entity uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default: PD constitutes a key input in measuring ECL, PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

3 Significant accounting policies (continued)

3.21 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment of trade receivables

An estimate of the collectible amounts of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance is applied according to the length of time past due, based on historical recovery rate.

Net realisable value of inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the factors, management has identified certain inventory items to calculate the allowance for slow-moving inventories. Revisions to the allowance would be required if the outcome of these indicative factors differ from the estimates.

Useful lives of property and equipment

Property, plant and equipment are depreciated over their estimated useful lives, which are based on expected usage of the assets and expected physical wear and tear which depends on operational factors. Management has not considered any residual value as it is deemed immaterial.

Amortisation

Extraction rights are being amortised over initial extraction rights period upto December 31, 2016 and concession rights are being amortised over 10 years as estimated by management.

Leasehold improvements

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

Operating lease expenses

Lease payments under operating lease have been recognised as an expense on a straight-line basis over the lease rental period after considering the rent escalation as per the rent agreements. The rent charge could significantly change in subsequent accounting periods should the lease contract not be renewed or there be change in lease terms of the contract.

4 Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture and fixtures	Vehicles and mobile plant	Tools and equipment	Quarry development costs	Capital work-in-progress	Total
Cost								
As at December 31, 2016	152,424,845	1,945,439,051	2,766,501	25,774,312	12,334,827	30,918,672	748,631	2,170,406,839
Addition during the year	55,000	13,202,425	524,192	773,578	370,935	-	9,466,241	24,392,371
Disposal during the year	-	-	-	(114,000)	-	-	-	(114,000)
As at December 31, 2017	152,479,845	1,958,641,476	3,290,693	26,433,890	12,705,762	30,918,672	10,214,872	2,194,685,210
Addition during the year	135,341	11,371,642	140,636	1,010,487	244,010	-	15,309,280	28,211,396
Transferred from capital work-in-progress	6,155,126	17,467,192	-	-			(23,622,318)	-
Disposal during the year	-	-	-	(4,900)	-	-	-	(4,900)
As at December 31, 2018	**158,770,312**	**1,987,480,310**	**3,431,329**	**27,439,477**	**12,949,772**	**30,918,672**	**1,901,834**	**2,222,891,706**
Accumulated depreciation								
As at December 31, 2016	30,497,687	812,590,701	2,526,201	24,119,928	11,858,116	21,587,921	-	903,180,554
Charge for the year	4,455,825	42,812,287	184,325	558,061	327,460	778,873	-	49,116,831
Eliminated on disposal during the year	-	-	-	(113,998)	-	-	-	(113,998)
As at December 31, 2017	34,953,512	855,402,988	2,710,526	24,563,991	12,185,576	22,366,794	-	952,183,387
Charge for the year	4,641,159	43,912,656	238,813	726,948	332,445	778,873	-	50,630,894
Eliminated on disposal during the year	-	-	-	(4,899)	-	-	-	(4,899)
As at December 31, 2018	**39,594,671**	**899,315,644**	**2,949,339**	**25,286,040**	**12,518,021**	**23,145,667**	**-**	**1,002,809,382**
Carrying value								
As at December 31, 2018	**119,175,641**	**1,088,164,666**	**481,990**	**2,153,437**	**431,751**	**7,773,005**	**1,901,834**	**1,220,082,324**
As at December 31, 2017	117,526,333	1,103,238,488	580,167	1,869,899	520,186	8,551,878	10,214,872	1,242,501,823

Notes:

- Part of the buildings, plant and machinery are constructed/erected on land obtained on lease from the Government of Fujairah.
- Capital work-in-progress mainly represents equipment being installed.
- Borrowing costs capitalized during the year amounted to AED 247,652 (2017: AED 45,275).
- Registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project and assignment of insurance policy covering the project in favour of the bank against a term loan (note 17).
- Insurance policies covering movable assets are assigned in favour of a bank against a term loan (note 17).
- Commercial mortgage over Thermal Power Plant, assignment of insurance policies covering the cement factory and Thermal Power Plant and assignment of leasehold rights over the land on which the Thermal Power Plant is located are provided as securities against term loans and other bank borrowings (note 17).
- Certain vehicles are hypothecated against a term loan (note 17).
- Registered mortgage and assignment of insurance policy over specific machinery being upgraded (note 17).
- Depreciation is fully charged to cost of sales (note 21).
- Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period, amounted to AED 354,046,669 (2017: AED 352,998,071).

5 Concession rights

	2018
Cost	
As at December 31, 2016	22,000,000
As at December 31, 2017	22,000,000
As at December 31, 2018	**22,000,000**
Accumulated amortisation	
As at December 31, 2016	18,700,000
Amortisation for the year	2,200,000
As at December 31, 2017	20,900,000
Amortisation for the year	1,100,000
As at December 31, 2018	**22,000,000**
Carrying value:	
As at December 31, 2018	**-**
As at December 31, 2017	1,100,000

Concession rights

Concession rights are being amortised over a period of 10 years as estimated by the management.

The Entity has executed an agreement with the Fujairah Municipality on April 17, 2007 whereby extraction and concession rights have been granted for further 25 years from the date of agreement, automatically renewable for further 25 years and shall expire without notice after the fiftieth year.

6 Investment in an associate - held for sale

It represents 20% interest in M/s. Sohar Cement Factory L.L.C., Sohar, Sultanate of Oman (the "Associate").

During 2016, the Entity invested in the Associate, whose paid-up share capital is Omani Riyals 7,100,000, comprising 7,100,000 shares of Omani Riyal one each. The Associate is licensed to engage in manufacture of all kinds of cement. The Associate has commenced commercial production in July 2018.

	2018	2017
Movement in investment in associate is as follows:		
Balance at the beginning of the year	**13,561,000**	13,561,000
Share of (loss) from associate	**(25,818)**	-
Balance at the end of the year	**13,535,182**	13,561,000

The Entity is in the process of selling its investment in the associate.

The summarized financial information related to the Associate is as follows:

Non-current assets	**160,122,577**	142,799,660
Current assets	**20,034,124**	22,629,479
Total liabilities	**112,480,798**	97,624,140
Revenue	**44,408,008**	-

7 Inventories

		2018	2017
Raw materials		**19,501,654**	22,480,812
Semi-finished products		**103,285,859**	55,183,254
Finished products		**2,246,273**	3,721,621
	(a)	**125,033,786**	81,385,687
Spare parts		**144,298,445**	135,885,476
Less: Allowance for slow-moving spare parts		**(24,000,000)**	(24,000,000)
		120,298,445	111,885,476
Burning media		**91,307,016**	97,406,245
Bags and packing materials		**507,208**	606,513
	(b)	**212,112,669**	209,898,234
Inventories in transit	(c)	**2,213,233**	-
	(a)+(b)+(c)	**339,359,688**	291,283,921

Allowance for slow-moving spare parts

Movement in allowance for slow-moving spare parts is as follows:

	2018	2017
Balance at the beginning of the year	**24,000,000**	23,000,000
Charge during the year (note 23)	**-**	1,000,000
Balance at the end of the year	**24,000,000**	24,000,000

Insurance policy is assigned against bank borrowings (note 17).

8 Trade receivables

	2018	2017
Trade receivables	**196,532,395**	177,804,196
Less: Impairment of trade receivables	**(1,926,453)**	(1,796,125)
	194,605,942	176,008,071
Coverage:		
Secured	**112,030,273**	122,957,695
Open credit	**82,575,669**	53,050,376
	194,605,942	176,008,071

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

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

The average credit period for the trade receivables is 117 days (2017: 105 days). No interest is charged on trade receivables in the normal course of business.

Trade receivables are assigned against bank borrowings (note 17).

8 Trade receivables (continued)

Trade receivables include :-

- AED 51.3 million (2017: AED 50.4 million) due from the Entity's largest customer and is secured upto AED 50 million.
- 5 customers (2017: 5 customers) representing 68% (2017: 72%) of the trade receivables.
- AED 21.2 million (2017: AED 12.5 million) which is past due. Of this, AED 19.3 million (2017: AED 11.4 million) is secured.

	2018	2017
Impairment of trade receivables		
The movement in the allowance for doubtful debts is as follows:		
Balance at the beginning of the year	**1,796,125**	1,802,021
Charge during the year (note 23)	**147,813**	-
Written-off during the year	**(17,485)**	(5,896)
Balance at the end of the year	**1,926,453**	1,796,125

In determining the recoverability of trade receivables, the Entity considers any change in the credit quality of the trade receivable from the date credit was initially granted upto the reporting date. Since, the overdue trade receivables are secured, the management believes that no further allowance is required for doubtful debts.

Geographical analysis:

The geographical analysis of trade receivables is as follows:

	2018	2017
Within U.A.E.	**123,262,705**	113,663,830
Outside U.A.E. : G.C.C.	**71,343,237**	62,344,241
	194,605,942	176,008,071

9 Advances, deposits and other receivables

	2018	2017
Prepayments	**634,879**	606,668
Advances to suppliers	**4,865,317**	3,215,277
Other receivables	**703,580**	634,029
	6,203,776	4,455,974

10 Cash and bank balances

	2018	2017
Cash in hand	**115,137**	100,062
Bank balances - current accounts	**16,719,761**	13,475,529
	16,834,898	13,575,591

Bank balances are maintained with banks registered in the United Arab Emirates.

Management has concluded that the Expected Credit Loss (ECL) for all bank balances is immaterial as these balances are held with banks whose credit risk rating by international rating agencies has been assessed as low.

11 Share capital

		2018	2017
Number of ordinary shares	(Nos.)	**355,865,320**	355,865,320
Nominal value per ordinary share	(AED)	**1**	1
Issued and fully paid-up share capital	(AED)	**355,865,320**	355,865,320

		2018	2017
12 Basic and diluted earnings per share			
Profit for the year	(AED)	**13,585,317**	37,051,828
Weighted average number of shares	(Nos.)	**355,865,320**	355,865,320
Earnings per share for the year	(U.A.E. Fils)	**3.8**	10.4

13 Proposed distribution of profits

For the year 2018, the Board of Directors have proposed a cash dividend of 5% (2017: 6%) of the paid-up share capital, amounting to AED 17,793,266 (2017: AED 21,351,919), subject to approval by the Shareholders' General Assembly.

14 Statutory reserve

Balance at the beginning of the year	**159,518,295**	155,813,112
Add: Transferred from profit for the year (note 16)	**1,358,532**	3,705,183
Balance at the end of the year	**160,876,827**	159,518,295

In accordance with UAE Federal Law No. (2) of 2015 and Article 58 of the Entity's Articles of Association, 10% of the profit of each year is to be appropriated to a statutory reserve. Transfer may be discontinued when the reserve reaches 50% of the paid-up capital. This reserve is not available for distribution except in circumstances stipulated by the law.

	2018	2017
15 Voluntary reserve		
Balance at the end of the year	**222,536,002**	222,536,002

In prior years, 10% of the profit was appropriated to a voluntary reserve. This reserve is distributable when approved by a shareholders' resolution based on the recommendation of the Board of Directors in accordance with Article 240 of the UAE Federal Law No. (2) of 2015 and Article 58 of the Entity's Articles of Association.

16 Retained earnings

Balance at the beginning of the year	**313,141,451**	304,446,725
Profit for the year	**13,585,317**	37,051,828
Less: Transferred to statutory reserve (note 14)	**(1,358,532)**	(3,705,183)
Remuneration to the Board of Directors (note 27)	**(3,300,000)**	(3,300,000)
Dividend paid*	**(21,351,919)**	(21,351,919)
Balance at the end of the year	**300,716,317**	313,141,451

*During the year, a cash dividend of 6% (2017: 6%) of the paid-up share capital, amounting to AED 21,351,919 (2017: AED 21,351,919) was paid as approved in the shareholders' general assembly held on April 12, 2018.

	2018	2017
17 Bank borrowings		
(a) Term loans		
Balance at the beginning of the year	**374,392,126**	406,050,214
Add: received during the year	**113,626,653**	174,621,737
Less: repaid during the year	**(149,836,781)**	(206,279,825)
Balance at the end of the year	**338,181,998**	374,392,126
Comprising:		
Non-current portion	**276,235,107**	222,214,020
Current portion	**61,946,891**	152,178,106
	338,181,998	374,392,126
Break-up of term loans		
Term loan 1	**-**	98,926,642
Term loan 2	**465,486**	783,620
Term loan 3	**89,240,681**	101,240,681
Term loan 4	**4,486,113**	7,319,445
Term loan 5	**19,982,038**	6,441,670
Term loan 6	**37,500,000**	50,000,000
Term loan 7	**186,507,680**	109,680,068
	338,181,998	374,392,126

Term loan 1

During 2006, the Entity was sanctioned this loan from an overseas bank to partly finance the cost of constructing a new clinker production line with a capacity of 7,500 metric tonnes per day. In February 2018, the outstanding balance of AED 98,926,642 was pre-settled through another financing arrangement (Term loan 7).

Term loan 2

During 2016, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for AED 1,260,989 to finance the purchase of motor vehicles. Repayment of the loan is in 48 equal monthly installments of AED 30,117 each (inclusive of interest) commenced in March 2016 and ending in December 2020.

Term loan 3

During 2017, the Entity entered into an islamic financing arrangement (Ijarah) from a bank operating in the United Arab Emirates for AED 114,445,987 to settle the then existing term loan. During November 2017, the outstanding balance of AED 101,240,681 was rescheduled to be repaid in 22 equal quarterly installments of AED 3,000,000 each commenced in January 2018 and ending in April 2023 and the remaining amount of AED 35,240,681 to be settled in July 2023.

Term loan 4

During 2017, the Entity entered into an islamic financing arrangement (Mudaraba) from a bank operating in the United Arab Emirates for AED 8,500,000 to finance royalty payment to Fujairah Natural Resources Corporation. Repayment of this loan is in 36 equal monthly installments of AED 236,111 each commenced in August 2017 and ending in July 2020.

17 Bank borrowings (continued)

(a) Term loans (continued)

Term loan 5

During 2017, the Entity entered into an islamic financing arrangement (Musharaka) from a bank operating in the United Arab Emirates for AED 30,000,000, of which AED 20,140,712 was drawn down, to finance the upgradation of the raw mill / slag grinding project. The outstanding amount of AED 19,982,038 is scheduled to be repaid in 23 equal quarterly installments of AED 868,784, exclusive of interest, commencing in March 2019 and ending in September 2024.

Term loan 6

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

Term loan 7

During 2017, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for a maximum of AED 209,680,000 of which AED 209,607,679 was drawn down, to refinance the existing liabilities with other banks. Repayment of this loan is in 26 equal quarterly installments of AED 7,700,000 each commenced in May 2018 and ending in July 2024 and the remaining amount of AED 9,366,886 to be settled in October 2024.

Interest on the term loans is accrued at commercial rate on monthly basis and paid separately on the due dates.

(b) Other bank borrowings

	2018	2017
Trust receipts	**152,854,638**	158,522,452
Short-term loans	**100,000,000**	-
	252,854,638	158,522,452

Interest on trust receipts are calculated for the duration of the repayment period and collected by the financing bank on monthly basis or at maturity, whichever is applicable.

Short term loans are availed to meet the working capital requirements and repayable within 180 days.

Bank borrowings - non-current portion

Non-current portion of term loans is to be repaid as follows:

In the second year		**60,554,981**	53,271,755
In the third to fifth year		**151,325,408**	127,701,584
After five years		**64,354,718**	41,240,681
Term loans	(refer a)	**276,235,107**	222,214,020

Bank borrowings - current portion

Term loans	(refer a)	**61,946,891**	152,178,106
Other bank borrowings	(refer b)	**252,854,638**	158,522,452
		314,801,529	310,700,558
Total bank borrowings		**591,036,636**	532,914,578

17 Bank borrowings (continued)

Bank borrowings are secured by:

i) Registered charge over Thermal Power Plant (including machinery) (note 4).

ii) Registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project (note 4).

iii) Assignment of insurance policy for AED 432.298 million covering the cement factory on a parri passu basis (note 4).

iv) Assignment of insurance policy for AED 236.9 million covering the Thermal Power Plant on a parri passu

v) Assignment of insurance policies covering the Waste Heat Recovery based captive power plant expansion project (note 4).

vi) Assignment of insurance policies covering moveable assets on pari passu basis (note 4).

vii) Assignment of leasehold rights (between the Entity & Fujairah Municipality) over the land on which the Thermal Power Plant is located (note 4).

viii) Hypothecation of certain vehicles (note 4).

ix) Assignment of insurance policy covering inventories on pari passu basis (note 7).

x) General assignment of trade receivables in favor of the bank (note 8).

xi) Registered mortgage and assignment of insurance policy over specific machinery being upgraded (note 4).

	2018	2017
18 Employees' end of service benefits		
Balance at the beginning of the year	**16,214,496**	15,133,269
Add: charge for the year	**2,232,590**	2,081,377
Less: paid during the year	**(2,469,159)**	(1,000,150)
Balance at the end of the year	**15,977,927**	16,214,496

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

	2018	2017
19 Trade and other payables		
Trade payable	**116,882,263**	119,572,343
Retention payable	**727,108**	522,141
Dividends payable	**3,979,491**	3,999,759
Advances received from customers	**579,132**	1,161,247
Accruals	**15,247,255**	11,812,330
Interest payable	**3,800,720**	3,513,016
Other payables	**2,396,812**	1,715,402
	143,612,781	142,296,238

	For the year ended December 31,	
	2018	2017

20 Revenue

Sales : Within U.A.E.		**325,961,270**	282,464,622
: Outside U.A.E.	: G.C.C.	**288,540,087**	338,244,035
	: Others	**57,860**	116,050
		614,559,217	620,824,707

Entire amount of revenue is recorded for goods transferred at a point in time.

Revenue represents mainly sale of cement and clinker.

21 Cost of sales

Manufacturing costs	**445,544,747**	428,209,684
Depreciation of property, plant and equipment (note 4)	**50,630,894**	49,116,831
	496,175,641	477,326,515

22 Selling and distribution expenses

Transportation expenses	**59,633,988**	57,708,975
Salaries and related benefits	**1,939,243**	1,894,629
Export expenses	**8,946,926**	9,553,900
Vehicle expenses	**340,957**	346,868
Business promotion	**24,813**	129,369
Others	**774,234**	250,720
	71,660,161	69,884,461

23 General and administrative expenses

Salaries and related benefits	**7,350,683**	8,125,609
Insurance	**1,558,134**	1,367,506
Legal, visa, professional and related expenses	**1,940,069**	9,071,070
Social responsibility contributions*	**1,187,000**	1,182,200
Allowance for slow-moving spare parts (note 7)	**-**	1,000,000
Allowance for doubtful debts (note 8)	**147,813**	-
Rent	**702,107**	670,096
Utilities	**366,676**	350,152
Telephone and communication	**434,138**	456,025
Travelling and entertainment	**174,506**	267,397
Repairs and maintenance	**302,681**	332,415
Others	**894,383**	775,705
	15,058,190	23,598,175

* Social responsibility contributions comprise AED 1 million (2017: AED 1 million) paid to Fujairah Foundation for Regions Development and AED 187,000 (2017: 182,200) to recognised institutions.

24 Finance costs

Interest on bank borrowings	**19,397,264**	12,826,116

25 Other income

Sale of scrap	**848,504**	871,638
Gain on disposal of property, plant and equipment	**799**	2,998
Others	**1,593,871**	1,187,752
	2,443,174	2,062,388

26 Operating lease commitments

Cement and clinker plants, buildings and thermal power plant are erected on land leased from Dibba Municipality for which lease rents are payable. Management considers these lease arrangements as non-cancellable.

Future commitments under the operating leases fall due as follows:

	2018	2017
Within one year	**10,021,260**	9,824,766
More than 1 year and less than 5 years	**42,129,780**	41,303,706
More than 5 years	**236,911,842**	247,759,175
	289,062,882	298,887,647

27 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24 "Related Party Disclosures". Such transactions are in the normal course of business and at terms that correspond to those on normal arms-length transactions with third parties. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel.

	2018	2017
a) Balances due from related parties (included in trade receivables)	**12,606,444**	1,435,230
b) Balances due to related parties (included in trade and other payables)	**-**	461,505

c) Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

	For the year ended December 31,	
	2018	2017
Sales	**31,155,269**	4,553,880
Construction of property, plant and equipment	**1,108,625**	2,108,500
Purchases	**65,835**	-

d) Key management personnel compensation

The compensation of key management personnel is as follows:

Key management remuneration	**4,319,283**	4,161,832
Remuneration to the Board of Directors (as approved in the shareholders' general assembly) (note 16)	**3,300,000**	3,300,000

28 Financial instruments

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

28 Financial instruments (continued)

b) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis*

	As at December 31,		As at December 31,	
	2018	2017	**2018**	2017
Financial assets	Carrying amount		Fair value	
Trade receivables	**194,605,942**	176,008,071	**194,605,942**	176,008,071
Deposits and other receivables	**703,580**	634,029	**703,580**	634,029
Cash and bank balances	**16,834,898**	13,575,591	**16,834,898**	13,575,591
	212,144,420	190,217,691	**212,144,420**	190,217,691
Financial liabilities				
Bank borrowings	**591,036,636**	532,914,578	**591,036,636**	532,914,578
Trade and other payables	**143,033,649**	141,134,991	**143,033,649**	141,134,991
	734,070,285	674,049,569	**734,070,285**	674,049,569

Financial instruments comprise of financial assets and financial liabilities.

The fair values of the financial assets and financial liabilities are included at the amount at which the instruments could be exchanged in a current transaction between knowledgeable and willing parties.
Financial assets consist of trade receivables, deposits and other receivables and cash and bank balances. Financial liabilities consist of bank borrowings and trade and other payables.

As at reporting date financial assets and financial liabilities are approximates their carrying values.

c) *Valuation premise for financial instruments that are not measured at fair value on recurring basis*

The following methods and assumptions were used to estimate the fair values:

Receivables are evaluated based on parameters such as interest rates and individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at reporting date, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair values of financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

29 Financial risk management objectives

The Entity's management has set out the Entity’s overall business strategies and its risk management philosophy. The Entity’s overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity's policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity’s policy guidelines are complied with.

There has been no change to the Entity’s exposure to these financial risks or the manner in which it manages and measures the risk.

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies. However, the risks are monitored by management on a continuous basis. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

29 Financial risk management objectives (continued)

a) *Foreign currency risk management*

Exposures to exchange rate fluctuations arise as the Entity undertakes certain transactions denominated in foreign currencies.

There are no significant exchange rate risks, as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirham, other G.C.C. currencies or United States Dollar to which the Arab Emirates Dirhams is fixed.

b) *Interest rate risk management*

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's profit for the year ended (decrease)/increase by AED 2,955,183 (2017: AED 2,664,573).

c) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and shareholders' equity.

Liquidity and interest risk tables

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements, is also shown on the following page:

29 Financial risk management objectives (continued)

c) Liquidity risk management (continued)

Liquidity and interest risk tables (continued)

Particulars	Interest bearing: On demand or less than 3 months	Interest bearing: Within 1 year	Interest bearing: More than 1 year	Non-interest bearing: On demand or less than 3 months	Non-interest bearing: Within 1 year	Non-interest bearing: More than 1 year	Total
	As at December 31, 2018						
Financial assets							
Trade receivables	-	-	-	-	194,605,942	-	194,605,942
Deposits and other receivables	-	-	-	-	703,580	-	703,580
Cash and bank balances	-	-	-	16,834,898	-	-	16,834,898
	-	-	-	16,834,898	195,309,522	-	212,144,420
Financial liabilities							
Bank borrowings	-	314,801,529	276,235,107	-	-	-	591,036,636
Trade and other payables	-	-	-	-	143,033,649	-	143,033,649
	-	314,801,529	276,235,107	-	143,033,649	-	734,070,285
	As at December 31, 2017						
Financial assets							
Trade receivables	-	-	-	-	159,656,888	-	159,656,888
Deposits and other receivables	-	-	-	-	376,696	-	376,696
Cash and bank balances	-	-	-	15,116,380	-	-	15,116,380
	-	-	-	15,116,380	160,033,584	-	175,149,964
Financial liabilities							
Bank borrowings	-	217,026,570	310,631,012	-	-	-	527,657,582
Trade and other payables	-	-	-	-	91,926,274	-	91,926,274
	-	217,026,570	310,631,012	-	91,926,274	-	619,583,856

d) Price risk

The Entity has exposure to market price risk which has significant impact on it revenue, result of operations and cash flows which can vary with fluctuations in the market prices. These are affected by factors outside the Entity's control, including the market forces of supply and demand and regulatory issues. The Entity mitigates the price risk through entering into long term contracts with certain customers as well as focusing on new markets for export.

29 Financial risk management objectives (continued)

e) Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

Trade receivables consist of a number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Before accepting a new customer, the Entity normally obtains a bank guarantee. Further details of credit risks on trade and other receivables are disclosed under notes 8 and 9 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which are net of impairment losses, represents the Entity's maximum exposure to credit risks.

30 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

The Entity reviews the capital structure on a semi-annual basis. As part of this review, the Entity considers the cost of capital and risk associated with capital. The Entity does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

31 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business, there has been no other known contingent liability on Entity's financial statements as of reporting date.

32 Commitments

	As at December 31,	
	2018	2017
Commitments for the purchase of property, plant and equipment	**8,090,448**	21,214,050

Except for the above and ongoing business obligations which are under normal course of business , there has been no other known commitment on Entity's financial statements as of the reporting date.

33 Comparative amounts

Certain amounts of the prior year were reclassified to conform to the current year's presentation. However, such reclassification has no impact on the previously reported financial result or shareholders' equity.