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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019

INDEX

126009

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

Opinion

We have audited the financial statements of **Fujairah Cement Industries P.J.S.C ("the Company")**, which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in 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 Company as at 31 December 2019, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed on 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. We have determined the matter described below to be the key audit matters to be communicated in our report.

Inventories

The Company's stock of raw materials, semi-finished products, burning media and finished products as at 31 December 2019 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 Company as at 31 December 2019 and valuation of inventories (including spare parts) at lower of cost or net realizable value as assessing net realizable value is an area of significant judgment.

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برج العوضي، الطابق الخامس
مكتب رقم ٥٠٦، شارع حمد بن عبدالله
هاتف : ٢٢٢٩٩٧٨ ٩ ٩٧١+
فاكس : ٢٣٧١٣٩٤ ٩ ٩٧١+
صندوق البريد: ١٤٩٠ الفجيرة

Inventories (Continued)

We performed the following audit procedures :

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

Trade receivables

The Company is having significant trade receivables representing 10% of total assets and there is a risk over the recoverability of the overdue amounts. Due to the inherently judgmental nature in the computation of the expected credit losses (ECL), there is a risk that the amount of ECL may be misstated.

We performed the following audit procedures :

- Performed test of control over trade receivables processes to determine whether controls are operating effectively throughout the year.

- Requested direct confirmations from a sample of outstanding balances, performed alternate procedures for non-replies, including verification of the supporting documents and subsequent collections.

- Reviewed the management assessment of recoverability of trade receivables through detailed analysis of ageing of receivables and also assessed the adequacy of provisions taken based on Expected Credit Loss "ECL Model" and reviewed the assumption used for ECL.

- Inquired from the management about any past due accounts with no subsequent collections and management's plan for recovering these receivables.

- Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.

Adoption of IFRS "16 Leases"

The Company adopted IFRS 16 "Leases" with effect from 1 January 2019, which resulted in changes to the accounting policies. The Company elected to apply the modified retrospective approach as a transition approach, by not restating comparative and without adjusting equity.

This change in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of the financial position. The incremental borrowing rate method has been applied where the implicit rate in a lease is not readily determinable.

The adoption of IFRS 16 has resulted in changes to processes, systems and controls. Because of the number of judgments which have been applied and estimates made determining the impact of IFRS 16.

The transitional impact of IFRS 16 has been disclosed in note 2 to the financial statements.

Adoption of IFRS 16 "Leases" (Continued)

We performed the following audit procedures :

- Obtaining an understanding of the Company's adoption of IFRS 16 and identifying the internal controls including entity level controls adopted by the Company for the accounting, processes and systems under the new accounting standard;

- Assessing and design and implementation of key controls pertaining to the application of IFRS 16;

- Assessing the appropriateness of the discount rates applied in determining lease liabilities;

- Verifying the accuracy of the underlying lease data and other supporting information and checking the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment;

- We considered the completeness of the lease data by testing the reconciliation of the Company's lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease; and

- Assessing the disclosures in the financial statements pertaining to leases, including disclosures relating to transition to IFRS 16, were in compliance with IFRSs.

Other Matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those statements on 7 February 2019.

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's Board of Directors Report of 2019, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report. 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 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, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and applicable provisions of UAE Federal Law No. 2 of 2015 and the Articles of Association of the Company 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.

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

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

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

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

Fujairah Cement Industries P.J.S.C (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

3. The Company has maintained proper books of account.

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

5. Investment in an associate-held for sale disclosed in Note 7.

6. Transactions and terms with related parties are disclosed in Note 10.

7. The Social Contributions made during the year disclosed in Note 26.

8. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of UAE Federal Law No. 2 of 2015 or the Articles of Association of the Company which would have a material affect on the Company's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Executive Director
Licensed Auditor No. 34

13 February 2020

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 **EXHIBIT A**

	Note	2019 AED	2018 AED
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**1,189,288,091**	1,220,082,324
Right –of –use assets	6	**122,914,188**	--
Total Non-Current Assets		**1,312,202,279**	1,220,082,324
Current Assets			
Investments in an associate –held for sale	7	--	13,535,182
Inventories	8	**398,594,223**	339,359,688
Trade receivables	10	**218,409,772**	194,605,942
Advances and other receivables	11	**6,645,037**	6,203,776
Cash and bank balances	12	**40,953,785**	16,834,898
Total Current Assets		**664,602,817**	570,539,486
TOTAL ASSETS		**1,976,805,096**	1,790,621,810
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	13	**355,865,320**	355,865,320
Statutory reserve	14	**161,750,412**	160,876,827
Voluntary reserve	15	**222,536,002**	222,536,002
Retained earnings		**289,562,667**	300,716,317
Total Shareholders' Equity – Exhibit C		**1,029,714,401**	1,039,994,466
Non-Current Liabilities			
Employees' end of service benefits	17	**14,220,332**	15,977,927
Lease Liabilities	18	**123,150,102**	--
Bank borrowings	19	**312,850,828**	276,235,107
Total Non-Current Liabilities		**450,221,262**	292,213,034
Current Liabilities			
Trade and other payables	20	**111,327,087**	143,612,781
Lease liabilities	18	**10,835,918**	--
Bank borrowings	19	**374,706,428**	314,801,529
Total Current Liabilities		**496,869,433**	458,414,310
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,976,805,096**	1,790,621,810

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

These financial statements were approved for issue by the Board of Directors on 13 February 2020 and sign by :

Sheikh Mohamed Bin Hamad Saif Al Sharqi
(Chairman)

Board Member

	Note	2019 AED	2018 AED
Revenue	23	**512,205,704**	614,559,217
Cost of sales		**(397,126,102)**	(488,844,273)
Gross profit		**115,079,602**	125,714,944
Gain in sale of investment in an associate		**8,990,364**	--
Share of loss from associate		--	(25,818)
Selling and distribution expenses	24	**(67,512,977)**	(71,660,161)
Other income	25	**4,794,288**	2,443,174
Administrative expenses	26	**(15,328,805)**	(15,047,371)
Amortization of concession rights		--	(1,100,000)
Finance cost – bank borrowings		**(32,693,215)**	(26,739,451)
Finance cost – lease liability		**(4,593,406)**	--
Profit for the Year - Exhibit D		**8,735,851**	**13,585,317**
Other comprehensive income		--	--
Total Comprehensive income for the year - Exhibit C		**8,735,851**	13,585,317
Earnings per share (AED. Fils per share)	27	**2.4**	3.8

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED31 DECEMBER 2019

EXHIBIT C

	Share Capital AED	Statutory reserves AED	Voluntary reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2018	355,865,320	159,518,295	222,536,002	313,141,451	1,051,061,068
Total comprehensive income for the year ended 31 December 2018 - Exhibit B	--	--	--	13,585,317	13,585,317
Transferred to statutory reserve	--	1,358,532	--	(1,358,532)	--
Remuneration to the Board of Directors	--	--	--	(3,300,000)	(3,300,000)
Dividends paid	--	--	--	(21,351,919)	(21,351,919)
Balance at 31 December 2018 – Exhibit A	**355,865,320**	**160,876,827**	**222,536,002**	**300,716,317**	**1,039,994,466**
Total comprehensive income for the year ended 31 December 2019 - Exhibit B	--	--	--	**8,735,851**	**8,735,851**
Transferred to statutory reserve	--	**873,585**	--	**(873,585)**	--
Remuneration to the Board of Directors	--	--	--	**(1,222,650)**	**(1,222,650)**
Dividends paid	--	--	--	**(17,793,266)**	**(17,793,266)**
Balance at 31 December 2019 - Exhibit A	**355,865,320**	**161,750,412**	**222,536,002**	**289,562,667**	**1,029,714,401**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED31 DECEMBER 2019 **EXHIBIT D**

	2019 AED	2018 AED
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year - Exhibit B	**8,735,851**	13,585,317
Adjustments for:		
Depreciation	**52,253,507**	50,630,894
Amortization of right-of-use assets	**9,489,034**	--
Amortization of concession rights	--	1,100,000
Gain on sale of property, plant and equipment	**(50,844)**	(799)
Employees end of service benefits	**1,893,863**	2,232,590
Provision from impairment of accounts receivable	**81,370**	147,813
Reversal of provision for impairment of trade receivables	--	(17,485)
Share of loss from associate	--	25,818
Gain on sale of investment in associate	**(8,990,364)**	--
Reversal of excess of provision for employees end of service benefits	**(1,625,594)**	--
Finance cost – lease liability	**4,593,406**	--
Finance cost – bank borrowings	**32,693,215**	26,739,451
Operating Cash flows Before Changes in Operating assets and liabilities	**99,073,444**	94,443,599
Increase in inventories	**(59,234,535)**	(48,075,767)
Increase in trade receivables	**(23,885,200)**	(18,728,199)
Increase in advances and other receivables	**(441,261)**	(1,747,802)
(Decrease)/increase in trade and other payables	**(24,441,076)**	1,028,839
Settlements of employees end of service benefits	**(2,025,864)**	(2,469,159)
Net Cash (Used in)/Provided by Operating Activities	**(10,954,492)**	24,451,511
CASH FLOW FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment	**(21,463,057)**	(28,211,396)
Proceeds from disposal of property, plant and equipment	**54,627**	800
Proceeds from sale of investment in associate	**22,525,546**	--
Net Cash Provided by/(Used in) Investing Activities	**1,117,116**	(28,210,596)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	**(10,623,450)**	--
Proceeds from bank loans	**101,752,488**	113,626,653
Repayments of bank loans	**(60,801,454)**	(149,836,781)
Proceeds from other bank borrowings, net	**55,569,586**	94,332,186
Finance cost paid on bank borrowings	**(32,924,991)**	(26,451,747)
Dividends paid	**(17,793,266)**	(21,351,919)
Remuneration to the board of directors	**(1,222,650)**	(3,300,000)
Net Cash Used in Financing Activities	**33,956,263**	7,018,392
Net increase in cash and cash equivalents	**24,118,887**	3,259,307
Cash and cash equivalents at beginning of year	**16,834,898**	13,575,591
Cash and Cash Equivalents at end of year - Note 12	**40,953,785**	16,834,898

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

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

The main activities of the Company are clinkers and hydraulic cement manufacturers.

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

2. NEW AND REVISED STANDARDS ADOPTED

IFRS 16 "Leases"

IFRS 16 specifies how an IFRSs reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. For each lease, the lessee recognizes a liability for future lease obligations. Correspondingly, a right-of-use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Application of IFRS 16 – "Leases"

The Company has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. All right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for prepaid or accrued lease expenses). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

	AED
Operating lease commitments as of 31 December 2018	132,403,222
Add : Adjustments as a result of changes in contracts, lease terms and payment (net)	7,612,842
Lease liability recognized as of 1 January 2019	**140,016,064**
Of which are :	
Current lease liabilities	10,623,450
Non-current lease liabilities	129,392,614
Total	**140,016,064**

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

As result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized AED. 132,403,222 as right-of-use assets and AED. 140,016,064 as leased liabilities.

Based on the approach adopted by the Company of IFRS 16 Leases, it did not result in any impact on retained earnings on 1 January 2019, following is the impact on the statement of comprehensive income for the year ended 31 December 2019 :

	AED
Depreciation expense on right-to-use assets (IFRS 16)	(9,489,034)
Finance cost (IFRS 16) – Lease liability	(4,593,406)
Rental – operating lease (IAS 17)	10,775,705
Net impact on profit for the year 2019	**(3,306,735)**

The policy mentioned below applied to contracts entered into or changed, on or after 1 January 2019.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to contract the use of an identified asset for the Company for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether :

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically identified asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use : and
- The Company has the right to direct the use of asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset is either the Company has the right to operate the asset or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, where the contract is not separable into lease and non-lease component then the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right use of asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following :

- Fixed payments, including in-substance fixed payments ;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date ;
- Amounts expected to be payable under a residual value guarantee; and
- Exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company's changes its assessment of whether it will exercise a purchase, extension or termination option.

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- ***Amendments to IFRS 9 "financial instruments"***

  Amendments to IFRS 9 allows more assets to be measured at amortized cost or depending on the business model, at fair value through other comprehensive income even in the case of negative compensation payment.

- ***Amendments to IAS 28 "Investment in Associates and Joint Venture"***

  Amendments to IAS 28 "*Investment in Associates and Joint Venture*" relating to long-term interests in associates and joint venture. These amendments clarify that the entity applies IFRS 9 to long-term interests in associates and joint venture that form part of the net investment in the associate or joint venture but to which equity method is not applied.

- ***Annual improvements to IFRS 2015 -2017 Cycle***

  These amendments clarify the treatment of specific borrowing after related qualifying asset is ready for its intended use or sale.

2.1 New and Revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

- ***Amendments to IFRS 3***

  The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages. So, the acquirer should re-measure its entire previously held interest in assets and liabilities of the joint operation at fair value.

  The Company is currently assessing the impact of this amendments to the standard on future financial statements. The management intends to adopt these amendments when these becomes effective.

- ***Amendments to IFRS 10 "Consolidated Financial Statement and IAS 28 Investments in Associates and Joint Venture".***

  The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint venture.

  The effective date for these amendments deferred indefinitely. Adoption is still permitted.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and comply with the applicable requirements of the laws of UAE.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at amortized cost.

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

3.3 Use of estimates, assumptions and judgment

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

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

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

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

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

Provision relating to contracts

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

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Determining the lease terms

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

Impairment of financial assets

The Company recognizes expected credit loss for trade receivables, due from related parties, finance lease receivable and cash and bank balances using the simplified approach. The expected credit loss on these financial assets are estimated using a provision matrix based on the management historical credit loss experience on collection, adjusted for factors that are specific to the debtors, based on economic conditions and an assessments of both the current as well as the forecast direction of conditions at the reporting date.

Impairment losses on financial assets are presented as net impairment losses in operating profit. Subsequent recoveries of amounts previously written off are credited in same item.

For all other financial assets the Company recognizes expected credit loss when there has been a significant increase in credit risk on the financial assets since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12 months ECL.

Impairment of non-financial assets

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

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

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

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Useful lives of property, plant and equipment

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

Impairment loss on property, plant and equipment

The Company reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in statement of comprehensive income, the Company makes judgments as to whether there is any observable data indication that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

Impairment of inventories

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Property, plant and equipment (Continued)

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

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

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

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

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

Capital work-in-progress

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

4.2 Investment in an associate

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Investment in an associate (Continued)

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in the associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate. When the Company's share of losses of the associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company 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 Company's share of the net fair value of the identifiable assets and liabilities of an associate is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company 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 Company retains an interest in the former associate and the retained interest is a financial asset, the Company 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 amounts 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 of interest in the associate is included in the determination of the gain or loss on deposal of associate. In addition, the Company accounts for all amounts previously recognized 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 recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Investment in an associate (Continued)

When the Company reduces its ownership interest in an associate, but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized 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 Company transacts with its associate, profit or losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

4.3 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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.

4.4 Derecognition of intangible assets

An intangible asset is derecognized 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 recognized in the statement of comprehensive income.

4.5 Financial liabilities

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

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

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

4.6 Derecognition of financial liabilities

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

4.7 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Accounts receivable

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 Company assesses on a forward-looking basis the expected credit losses associated with its receivable 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. This 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.

4.9 Cash and cash equivalents

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

4.10 Inventories

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

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

4.11 Accounts payable and accruals

Accounts payable and accruals are recognized for amounts to be paid in the future for goods or services received, whether billed by supplier or not.

4.12 Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.

Provisions are reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Employees' end of service benefits

Employees' end of service benefits is calculated in accordance with U.A.E. Labour Law requirements.

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

4.14 Borrowing costs

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

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

4.15 Revenue recognition

Revenue from contract with customers are recognized when control of the goods or services are transferred to the customers at an amount that reflects the consideration to expect to be in exchange for those goods or services regardless of when payments are being made. As part of the impact assessment exercise by the Company of its contracts with customers to determine the appropriate method of recognizing revenue. Generally, the company has concluded that for majority of its revenue arrangements as it controlled of the goods or service before transferred to customers.

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

4.16 Foreign currencies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Foreign currencies (Continued)

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

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

4.17 Contingent liabilities

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

5. PROPERTY, PLANT AND EQUIPMENT

a) The details of this item are as follows :

	Land & Building AED	Plant and Machinery AED	Furniture and Fixtures AED	Vehicles and Mobile Plant AED	Tools And Equipment AED	Quarry Development Cost AED	Capital Work In Progress AED	Total AED
Cost :								
At 1 January 2018	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
Additions during the year	135,341	11,371,642	140,636	1,010,487	244,010	--	15,309,280	28,211,396
Transfers	6,155,126	17,467,192	--	--	--	--	(23,622,318)	--
Disposals during the year	--	--	--	(4,900)	--	--	--	(4,900)
Balance at 31 December 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**
Additions during the year	41,800	17,037,732	99,937	1,815,413	162,665	380,453	1,925,057	21,463,057
Disposals during the year	--	--	--	(347,400)	--	--	--	(347,400)
Transfers	--	1,256,548	--	--	--	650,000	(1,906,548)	--
Balance at 31 December 2019	**158,812,112**	**2,005,774,590**	**3,531,266**	**28,907,490**	**13,112,437**	**31,949,125**	**1,920,343**	**2,244,007,363**
Accumulated Depreciation :								
At 1 January 2018	34,953,512	855,402,988	2,710,526	24,563,991	12,185,576	22,366,794	--	952,183,387
Addition during the year	4,641,159	43,912,656	238,813	726,948	332,445	778,873	--	50,630,894
Disposals during the year	--	--	--	(4,899)	--	--	--	(4,899)
Balance at 31 December 2018	**39,594,671**	**899,315,644**	**2,949,339**	**25,286,040**	**12,518,021**	**23,145,667**	--	**1,002,809,382**
Additions during the year	4,782,817	45,174,736	228,103	982,861	257,616	827,374	--	52,253,507
Disposals during the year	--	--	--	(343,617)	--	--	--	(343,617)
Balance at 31 December 2019	**44,377,488**	**944,490,380**	**3,177,442**	**25,925,284**	**12,775,637**	**23,973,041**	--	**1,054,719,272**
Net Book Value :								
At 31 December 2019 - Exhibit A	**114,434,624**	**1,061,284,210**	**353,824**	**2,982,206**	**336,800**	**7,976,084**	**1,920,343**	**1,189,288,091**
At 31 December 2018 - Exhibit A	119,175,641	1,088,164,666	481,990	2,153,437	431,751	7,773,005	1,901,834	1,220,082,324

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) Part of the buildings, plant and machinery are constructed/erected on land obtained on lease from the Government of Fujairah.

c) Motor vehicles of AED. 28,907,490 mentioned above include motor vehicles of AED. 1,408,044 (Net book value: AED. 127,399) mortgaged against their purchase finance.

d) Borrowing costs capitalized during the period amounted to AED. Nil (31.12.2018 : AED. 247,652).

e) Registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project and an assignment of insurance policy covering the project in favour of the bank against a term loan (Note 19).

f) Insurance policy covering movable assets is assigned in favor of a bank against a term loan (Note 19).

g) 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 bank borrowings (Note 19).

h) Depreciation is fully charged to cost of sales.

i) Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period , amounted to AED. 354,131,109 (31.12.2018 : AED. 354,046,669).

j) There is a registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 19).

6. RIGHT-OF-USE ASSET

a) The movement of the right-of-use asset is summarized as follows :

	2019 AED	2018 AED
Cost :		
At 1 January 2019 upon adoption of IFRS 16	132,403,222	--
Balance at 31 December	**132,403,222**	--
Depreciation :		
Charged for the year	9,489,034	--
Balance at 31 December	**9,489,034**	--
Net book Value :		
At 31 December – Exhibit A	**122,914,188**	--

7. INVESTMENT IN AN ASSOCIATE – HELD FOR SALE

It represents 20% interest in the share capital of Sohar Cement Factory L.L.C, Sohar Sultanate of Oman (the "Associate"). During 2016, the Company invested in the Associate, whose paid-up share capital is Omani Riyals 7,100,000, comprising 7,100,000 shares of one Omani Riyals one each. The Associate is licensed to engage in manufacturing of all kinds of cement. The Associate has commenced commercial production in July 2018.

The movement in associate is as follows :

	2019 AED	2018 AED
Balance at the beginning of the year	**13,535,182**	13,561,000
Share of loss from associate	--	(25,818)
Sale during the year	**(13,535,182)**	--
Balance at the end of the year – Exhibit A	--	13,535,182

During the year, the Company sold its investment in the associate as mentioned above.

8. INVENTORIES

a) This item consists of the following :

	2019 AED	2018 AED
Raw Materials	**11,841,898**	19,501,654
Semi-finished products	**180,413,316**	103,285,859
Finished products	**2,399,306**	2,246,273
Total	**194,654,520**	125,033,786
Spare parts	**149,499,194**	144,298,445
Allowance for slow-moving spare parts	**(24,000,000)**	(24,000,000)
Net	**125,499,194**	120,298,445
Burning media	**76,658,683**	91,307,016
Bags and packing material	**727,877**	507,208
Total	**77,386,560**	91,814,224
Good-in-transit	**1,053,949**	2,213,233
Grand Total – Exhibit A	**398,594,223**	339,359,688

Insurance policy is assigned against bank borrowings.

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	2019 **AED**	2018 AED
• Balances due from related parties (included in trade receivables)	**1,354,823**	12,606,444
• Balances due to related parties (included in trade and other payables)	**951,716**	--

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

	2019 **AED**	2018 AED
Sales	**3,381,906**	31,155,269
Purchases/service contracts	**972,758**	65,835
Construction of property, plant and equipment	**1,700,025**	1,108,625

• The remuneration , salaries and other benefits of board of directors and other members of key management during the year are as follows :

	2019 **AED**	2018 AED
Key management remuneration	**4,443,543**	4,465,283
Remuneration to the Board of Directors and	**1,222,650**	3,300,000

Remuneration to the Board of Directors for the year 2018, approved in the Annual General Meeting held on 25 April 2019 amounts to AED. 1,222,650 (2018 : AED. 3,300,000).

10. TRADE RECEIVABLES

a) This item consists of the following :

	2019 **AED**	2018 AED
Trade receivables	**220,414,428**	196,532,395
Provision for impairment of trade receivables - Note 10(c)	**(2,004,656)**	(1,926,453)
Net amount – Exhibit A	**218,409,772**	194,605,942
Coverage :		
Trade receivables against BG & L/C's	**115,699,168**	112,030,273
Trade receivables	**102,710,604**	82,575,669
Total – Exhibit A	**218,409,772**	194,605,942

10. TRADE RECEIVABLES (CONTINUED)

b) Trade receivables include :

- AED. 64.3 Million (2018 : AED. 51.3 Million) due from Company's largest customer and is fully secured.
- 5 customers (2018 : AED. 5 customers) representing 74% (2018 : 68%) of the trade receivables.
- AED. 75.2 Million (2018 : AED. 21.2 Million) which is past due of this AED. 28.6 Million (2018 : 19.3 Million) is secured.

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

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

  The average credit period for the trade receivables is 158 days (2018 : 117 days). No interest is charged on trade receivables in the normal course of business.

- Trade receivables are assigned against bank borrowings (Note 19).

c) Movement in provision for impairment of trade receivables

	2019 AED	2018 AED
Balance at the beginning of the year	**1,926,453**	1,796,125
Additions during the year	**81,370**	147,813
Reversal of excess provision	--	(17,485)
Written off	**(3,167)**	--
Net Amount – Note 10(a)	**2,004,656**	1,926,453

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

Geographical Analysis

The geographical analytical of trade receivables is as follows :

	2019 AED	2018 AED
Within U.A.E	**135,476,477**	123,262,705
Outside U.A.E	**82,933,295**	71,343,237
	218,409,772	194,605,942

11. ADVANCES AND OTHER RECEIVABLES

This item consists of the following :

	2019 AED	2018 AED
Prepayments	**595,843**	634,879
Advances to suppliers	**5,056,134**	4,865,317
Other receivables	**993,060**	703,580
Total - Exhibit A	**6,645,037**	6,203,776

12. CASH AND BANK BALANCES

This item consists of the following :

	2019 AED	2018 AED
Cash in hand	**155,838**	115,137
Bank balances - Current accounts	**40,797,947**	16,719,761
Total – Exhibit A & D	**40,953,785**	16,834,898

13. SHARE CAPITAL

This item consists of the following :

	2019 AED	2018 AED
Authorized share capital is 355,865,320 ordinary share of AED. 1 each fully paid – Exhibit A	**355,865,320**	355,865,320

14. STATUTORY RESERVE

This item consists of the following :

	2019 AED	2018 AED
Balance at the beginning of the year	**160,876,827**	159,518,295
Add: Transferred from profit for the year	**873,585**	1,358,532
Balance at the end of the year - Exhibit C	**161,750,412**	160,876,827

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

15. VOLUNTARY RESERVE

This item consists of the following :

	2019 AED	2018 AED
Balance at the beginning of the year - **Exhibit C**	**222,536,002**	222,536,002

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

16. APPROPRIATION OF PROFITS

- The Shareholders in their Ordinary General Meeting held on 25 April 2019 approved a cash dividend of AED. 17,793,266 at AED. 0.05 per share (5% at the paid up share capital) and Board of Directors remuneration of AED. 1,222,650 for the year ended 31 December 2018.
- The Shareholders in their Ordinary General Meeting held on 12 April 2018 approved a cash dividend of AED. 21,351,919 at AED. 0.06 per share (6% at the paid up share capital) and Board of Directors remuneration of AED. 3,300,000 for the year ended 31 December 2017.

17. EMPLOYEES END OF SERVICE BENEFITS

This item consists of the following :

	2019 AED	2018 AED
Balance at the beginning of the year	**15,977,927**	16,214,496
Charge for the year	**1,893,863**	2,232,590
Paid during the year	**(2,025,864)**	(2,469,159)
Reversal of excess provision	**(1,625,594)**	--
Balance at the end of the year - Exhibit A	**14,220,332**	15,977,927

18. LEASE LIABILITIES

This item consists of the following :

	2019 AED	2018 AED
At 1 January 2019 upon adoption of IFRS 16	**140,016,064**	--
Lease liabilities for the year	**4,593,406**	--
Payment during the year	**(10,623,450)**	--
Balance at the end of the year	**133,986,020**	--
Non-Current -Exhibit A	**123,150,102**	--
Current -Exhibit A	**10,835,918**	--
Total	133,986,020	--

19. BANK BORROWINGS

a) This item consists of the following :

	2019 AED	2018 AED
Balance at the beginning of the year	**338,181,998**	374,392,126
Add: Received during the year	**101,752,488**	113,626,653
Less: Repaid during the year	**(60,801,454)**	(149,836,781)
Balance at the end of the year	**379,133,032**	338,181,998
Non-Current portion – Exhibit A	**312,850,828**	276,235,107
Current portion – Note 19(b)(ii)	**66,282,204**	61,946,891
Total	**379,133,032**	338,181,998

- Break-up of term loans are as follows :

Loan	Maturity date	2019 AED	2018 AED
Term loan 1	December 2020	**124,724**	465,486
Term loan 2	July 2023	**77,240,681**	89,240,681
Term loan 3	July 2020	**1,652,781**	4,486,113
Term loan 4	August 2026	**19,407,168**	19,982,038
Term loan 5	December 2021	**25,000,000**	37,500,000
Term loan 6	November 2024	**155,707,678**	186,507,680
Term loan 7	December 2026	**100,000,000**	--
Total		**379,133,032**	338,181,998

19. BANK BORROWINGS (CONTINUED)

Term loan 1

During 2016, the Company 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 December 2020.

Term loan 2

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

Term loan 3

During 2017, the Company 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.

Term loan 4

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

Term loan 5

During 2017, the Company 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.

19. BANK BORROWINGS (CONTINUED)

Term loan 6

During 2017, the Company was sanctioned this loan from a bank operating in the United Arab Emirates for a maximum amount of AED. 209,680,000 of which AED. 209,607,679 was drawn down, to refinance the existing liabilities with other banks. Repayment of this loan is in 26 equal quarterly installments of AED. 7,700,000 each commenced in May 2018 and ending in August 2024 and the remaining amount of AED. 9,407,679 to be settled in November 2024.

Term loan 7

During 2019, the Company was sanctioned and entered into an Islamic financing arrangement (Mudaraba) from a bank operating in United Arab Emirates for AED. 100,000,000 to settlement of existing liabilities with other banks. The loan is repayable in 28 quarterly installments, commencing in March 2020 and ending in December 2026. The installments details are as below :

- 4 installments of AED. 1,750,000
- 4 installment of AED. 2,000,000
- 4 installments of 2,500,000
- 16 installments of AED. 4,687,500

b) **Other bank borrowings**

	2019 AED	2018 AED
Trust receipts	**140,424,224**	152,854,638
Short terms loans	**168,000,000**	100,000,000
Total - Note 19(b)(ii)	**308,424,224**	252,854,638

i) Bank borrowings Non-current portion

	2019 AED	2018 AED
In the second year	**66,167,078**	60,554,931
In the third to fifth year	**203,449,594**	151,325,408
After five year	**43,234,156**	64,354,718
Total - Note 19(a)	**312,850,828**	276,235,107

19. BANK BORROWINGS (CONTINUED)

ii) Bank borrowings Current portion

	2019 AED	2018 AED
Term loans - Note 19(a)	**66,282,204**	61,946,891
Other bank borrowings – Note 19(b)	**308,424,224**	252,854,638
Total – Exhibit A	**374,706,428**	314,801,529
Total Bank borrowings	687,557,256	591,036,636

iii) Bank borrowings are secured by:

- Registered charge over Thermal Power Plant (including machinery).
- Registered chattel mortgage (to be executed) over the Waste Heat Recovery based captive power plant expansion project
- Assignment of insurance policy for AED. 435.6 million covering factory on a pari passu basis.
- Assignment of insurance policy for AED. 236.9 million covering the Thermal Power Plant on a pari passu basis.
- Assignment of insurance policy for AED. 124.4 million covering the Waste Heat Recovery based captive power plant expansion project.
- Assignment of insurance policies covering moveable assets on pari passu basis .
- Assignment of leasehold rights (between the Company & Dibba Municipality) over the land on which the Thermal Power Plant is located.
- Hypothecation of certain vehicles.
- Assignment of insurance policy over inventories on pari passu basis.
- General assignments of trade receivables in favor of the bank.
- Registered mortgage and assignment of insurance policy over specific machinery upgraded.
- Promissory note.

20. TRADE AND OTHER PAYABLES

This items consists of the following :

	2019 AED	2018 AED
Trade payables	**89,967,643**	116,882,263
Retentions payable	**79,000**	727,108
Dividends payable	**3,971,953**	3,979,491
Advanced received from customers	**2,911,596**	579,132
Accrued expenses	**10,008,986**	15,247,255
Accrued interest payables	**3,568,944**	3,800,720
Others	**818,965**	2,396,812
Total – Exhibit A	**111,327,087**	143,612,781

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, accounts receivable and others and due from related parties. Financial liabilities consist of accounts payables and others and bank loan.

The fair values of financial assets and financial liabilities are not materially different from their carrying values as at 31 December 2019.

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

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

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

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

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

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

22. RISK MANAGEMENT

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

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

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

22.1 Capital risk management

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

22. RISK MANAGEMENT (CONTINUED)

22.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices, such as foreign currency risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings, Islamic financing arrangements, deposits, finance lease receivable and lease liabilities. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

i) Foreign currency risk

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

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

ii) Interest rate risk

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

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2019 are as follows :

	Effective interest rate	
	2019	2018
Bank loans	**3 months + 2.5% to 3% p.a + 3.4% to 3.7% p.a swap 3 months + 2.25% to 2.5% p.a + EIBOR**	3 months + 2.5% to 3% p.a + 3.4% to 3.7% swap 3 months + 2.25% to 2.5% p.a + EIBOR
Short-term loans	**1 month EIBOR + 1.7% p.a**	1 month EIBOR + 1.7% p.a

22.3 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash flows from financial assets recorded at amortized cost such as cash and cash equivalents and trade receivables and due from related parties.

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

22. RISK MANAGEMENT (CONTINUED)

22.3 Credit risk (Continued)

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

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

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

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

The following table details the risk profile of accounts receivable based on the Company's provision matrix.

	2019 Gross AED	2019 Impairment AED	2018 Gross AED	2018 Impairment AED
Neither past due nor impaired	**145,220,122**	**(604,760)**	175,323,191	(908,031)
Past due 0-180 days	**71,757,855**	**(1,109,993)**	16,916,053	(484,232)
Past due 180-360 days	**3,213,923**	**(226,208)**	4,111,882	(448,540)
Past due 360 and above	**222,528**	**(63,695)**	181,269	(85,650)
	220,414,428	**(2,004,656)**	196,532,395	(1,926,453)

22.4 Liquidity risk

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

The Company objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

22. RISK MANAGEMENT (CONTINUED)

22.3 Credit risk (Continued)

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

As at 31 December 2019 :

	Less than three months	From 3 months to one year	1 year and above	Total
	AED	**AED**	**AED**	**AED**
Financial Assets				
Cash and bank balances	**40,953,785**	**--**	**--**	**40,953,785**
Trade receivables	**115,426,061**	**102,983,711**	**--**	**218,409,772**
Deposits and other receivable	**--**	**993,060**	**--**	**993,060**
Total	**156,379,846**	**103,976,771**	**--**	**260,356,617**
Financial Liabilities				
Bank borrowings	**146,501,320**	**228,205,108**	**312,850,828**	**687,557,256**
Trade payables and others	**--**	**108,415,491**	**--**	**108,415,491**
Lease liabilities	**--**	**10,835,918**	**123,150,102**	**133,986,020**
Total	**146,501,320**	**347,456,517**	**436,000,930**	**929,958,767**

As at 31 December 2018 :

	Less than three months	From 3 months to one year	1 year and above	Total
	AED	AED	AED	AED
Financial Assets				
Cash and bank balances	16,834,898	--	--	16,834,898
Trade receivables	150,393,565	44,212,377	--	194,605,942
Deposits and other receivables	--	703,580	--	703,580
Total	167,228,463	44,915,957	--	212,144,420
Financial Liabilities				
Bank borrowings	103,095,674	211,785,855	276,235,107	591,036,636
Trade payables and others	--	143,033,649	--	143,033,649
Total	103,095,674	354,819,504	276,235,107	734,070,285

23. REVENUE

This items consists of the following :

	2019	2018
	AED	AED
Sales :		
Within UAE	**244,697,813**	325,961,270
Outside - UAE-GCC	**251,627,803**	288,540,087
Others	**15,880,088**	57,860
Total – Exhibit B	**512,205,704**	614,559,217

24. SELLING AND DISTRIBUTION

This item consists of the following :

	2019 AED	2018 AED
Transportation expenses	**53,069,381**	59,633,988
Salaries and related benefits	**1,843,369**	1,939,243
Export expenses	**10,987,210**	8,946,926
Vehicle expenses	**17,010**	340,957
Business promotion	**21,020**	24,813
Toll fees and charges	**1,153,559**	107,953
Others	**421,428**	666,281
Total – Exhibit B	**67,512,977**	71,660,161

25. OTHER INCOME

This items consists of the following :

	2019 AED	2018 AED
Reversal excess provision for employees end of service benefits written back	**1,625,594**	--
Sale of scrap	**114,175**	848,504
Gain on disposal of property, plant and equipment	**50,844**	799
Accounts payable written off	**1,269,000**	--
Miscellaneous income	**1,734,675**	1,593,871
Total – Exhibit B	**4,794,288**	2,443,174

26. GENERAL AND ADMINISTRATIVE EXPENSES

a) This item consists of the following :

	2019 AED	2018 AED
Salaries and related benefits	**8,811,345**	7,350,683
Insurance	**431,056**	452,002
Legal, Visa, Professional and related expenses	**1,358,682**	1,940,069
Social contribution	**1,127,250**	1,187,000
Provision for impairment of accounts receivable	**81,370**	147,813
Rent	**723,813**	702,107
Utilities	**295,498**	366,676
Telephone and communication	**418,732**	434,138
Travelling and entertainment	**188,961**	174,506
Repairs and maintenance	**227,586**	291,862
Medical expenses	**1,177,271**	1,106,132
Others	**487,241**	894,383
Total – Exhibit B	**15,328,805**	15,047,371

26. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

b) Social contribution mentioned above compromise AED. 1,000,000 (2018 : AED. 1,000,000) paid to Fujairah Foundation for regions development and AED. 127,250 (2018 : AED. 187,000) to the recognized institutions.

27. BASIC EARNINGS PER SHARE

This items consists of the following :

	2019 **AED**	2018 AED
Profit for the year (AED)	**8,735,851**	13,585,317
Number of shares (Share)	**355,865,320**	355,865,320
Basic earnings per share (AED. Fils per share) – Exhibit B	**2.4**	3.8

28. CONTINGENT LIABILITIES AND COMMITMENTS

i) Contingent liabilities

Contingent liabilities of the Company as at the statement of financial position date amounted to AED. 1,940,304 (2018: AED. Nil) representing letters of credit.

ii) Commitments

	2019 **AED**	2018 AED
Commitments for the purchase of property, plant and equipment	**1,059,362**	8,090,448

29. COMPARATIVE FIGURES

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