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

Independent auditor's report and financial statements
For the year ended December 31, 2016

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The Auditors	:	Horwath Mak P. O. Box: 1650 Fujairah - United Arab Emirates

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Ref: JM/AR/F-17/002

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 (the "Entity") which comprise the statement of financial position as at December 31, 2016, 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 a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2016, 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 judgment, 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.

a. Inventory

The Entity's stock of raw materials, semi-finished products, burning media and finished products as at December 31, 2016 requires an independent surveyor to make estimate of the quantities by using certain systematic measurements/calculations. The area of focus is whether the quantities reported by the surveyor are as per physical stock held by the Entity as at December 31, 2016. Our audit approach relies on the survey report issued by the surveyor and therefore, procedures are designed, to test the accuracy of the report.

Our audit procedures:

- Reviewed the background and experience of the surveyor.
- Observed the physical stock piles at the reporting date and matched the piles given in the surveyor report.
- Compared the final outcome of the surveyor report with prior year's report.

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Key audit matters (continued)

b. <u>IT systems and controls over financial reporting</u>

We identified IT systems and controls over financial reporting as an area of focus because the Entity's financial accounting and reporting systems are dependent on technology due to extensive volume of transactions which are processed daily and there is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. An area of focus is outward movement of inventory (finished goods) and segregation of duties, where the underlying controls are essential to limit the potential for fraud and error. Our audit approach relies on automated controls and therefore, procedures are designed to test the automated controls.

<u>Our audit procedures:</u>

- Reviewed IT system and general computer controls.
- Performed walk through of major business process.
- Focused on key controls testing on significant IT system relevant to revenue process.
- Performed journal entry testing.

c. <u>Trade receivables</u>

The assessment of the Entity's determination of impairment of trade receivables requires management to make judgements regarding recoverability of the 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. The focus on trade receivables is due to materiality of the balance (representing 41% of the total current assets).

<u>Our audit procedures:</u>

- Reviewed 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 securities obtained from the customers.
- Reviewed the aged accounts receivable.
- Reviewed payments received subsequent to period end.
- Reviewed the management's methodology used to determine the impairment of trade receivables.

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. 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.

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.

When we read 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.

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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 and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and for such internal control as management determines is necessary to enable the preparation of 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Further, as required by the U.A.E. Federal Law No. (2) of 2015, we report that,

i) we have obtained all the information and explanations which we consider necessary for our audit;

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

iii) the Entity has maintained proper books of account;

iv) the financial information included in the Chairman's report is consistent with books of account;

v) as disclosed in note 6 to the financial statements, the Entity has purchased or invested in shares during the year ended December 31, 2016;

vi) note 28 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Entity has contravened during the year ended December 31, 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at December 31, 2016; and

viii) note 24 to the financial statements discloses the social contributions made during the year ended December 31, 2016.

For Horwath Mak

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

February 09, 2017

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P.O. Box: 1650
FUJAIRAH
U.A.E.
HORWATH MAK

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

Statement of financial position as at December 31, 2016
(In Arab Emirates Dirhams)

	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	4	**1,267,226,285**	1,296,941,923
Extraction and concession rights	5	**3,300,000**	7,993,805
Investment in an associate	6	**13,561,000**	-
Total non-current assets		**1,284,087,285**	1,304,935,728
Current assets			
Inventories	7	**209,381,932**	228,449,329
Trade receivables	8	**159,656,888**	168,639,094
Advances, deposits and other receivables	9	**5,680,815**	4,563,782
Cash and bank balances	10	**15,116,380**	28,162,313
Total current assets		**389,836,015**	429,814,518
Total assets		**1,673,923,300**	1,734,750,246
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	11	**355,865,320**	355,865,320
Statutory reserve	14	**155,813,112**	150,140,776
Voluntary reserve	15	**222,536,002**	222,536,002
Retained earnings	16	**304,446,725**	273,488,964
Total shareholders' equity		**1,038,661,159**	1,002,031,062
Non-current liabilities			
Bank borrowings - non-current portion	17	**310,631,012**	380,392,675
Employees' end of service benefits	19	**15,133,269**	13,503,986
Total non-current liabilities		**325,764,281**	393,896,661
Current liabilities			
Trade and other payables	20	**92,471,290**	98,346,532
Bank borrowings - current portion	17	**217,026,570**	240,475,991
Total current liabilities		**309,497,860**	338,822,523
Total liabilities		**635,262,141**	732,719,184
Total shareholders' equity and liabilities		**1,673,923,300**	1,734,750,246

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

The report of the auditors is set out on pages 2 to 5.

The financial statements on pages 6 to 32 were approved by the Board of Directors on February 09, 2017 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, 2016
(In Arab Emirates Dirhams)

	Notes	2016	2015
Revenue	21	**596,821,551**	612,207,552
Cost of sales	22	**(502,253,366)**	(536,932,115)
Gross profit		**94,568,185**	75,275,437
Selling and distribution expenses	23	**(2,491,727)**	(1,963,781)
General and administrative expenses	24	**(18,312,622)**	(13,551,291)
Amortization of extraction and concession rights	5	**(4,693,805)**	(4,693,828)
Finance costs	25	**(13,660,743)**	(17,111,088)
Other income	26	**1,314,075**	12,693,376
Profit for the year		**56,723,363**	50,648,825
Basic and diluted earnings per share (U.A.E. Fils)	12	**15.9**	14.2

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

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The financial statements on pages 6 to 32 were approved by the Board of Directors on February 09, 2017 and signed on its behalf by:

Chairman

Board member

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

Statement of other comprehensive income for the year ended December 31, 2016
(In Arab Emirates Dirhams)

	2016	2015
Profit for the year	**56,723,363**	50,648,825
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remuneration to the Board of Directors	**(2,300,000)**	-
Total comprehensive income for the year	**54,423,363**	50,648,825

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

The report of the auditors is set out on pages 2 to 5.

The financial statements on pages 6 to 32 were approved by the Board of Directors on February 09, 2017 and signed on its behalf by:

Chairman

Board member

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

Statement of changes in shareholders' equity for the year ended December 31, 2016
(In Arab Emirates Dirhams)

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total shareholders' equity
Balance as at December 31, 2014	355,865,320	145,075,893	222,536,002	227,905,022	951,382,237
Profit for the year	-	-	-	50,648,825	50,648,825
Transferred to statutory reserve	-	5,064,883	-	(5,064,883)	-
Balance as at December 31, 2015	355,865,320	150,140,776	222,536,002	273,488,964	1,002,031,062
Profit for the year	-	-	-	56,723,363	56,723,363
Remuneration to the Board of Directors	-	-	-	(2,300,000)	(2,300,000)
Total comprehensive income	-	-	-	54,423,363	54,423,363
Transferred to statutory reserve	-	5,672,336	-	(5,672,336)	-
Dividend paid	-	-	-	(17,793,266)	(17,793,266)
Balance as at December 31, 2016	**355,865,320**	**155,813,112**	**222,536,002**	**304,446,725**	**1,038,661,159**

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

The report of the auditors is set out on pages 2 to 5.

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

Statement of cash flows for the year ended December 31, 2016
(In Arab Emirates Dirhams)

	2016	2015
Cash flows from operating activities		
Profit for the year	**56,723,363**	50,648,825
Adjustments for:		
(Gain) on disposal of property, plant and equipment	**(91,488)**	(101,799)
Depreciation on property, plant and equipment	**54,320,242**	50,129,025
Allowance for slow-moving spare parts	**1,000,000**	1,000,000
Amortization of extraction and concession rights	**4,693,805**	4,693,828
Provision for employees' end of service benefits	**2,200,944**	1,966,620
Operating profit before changes in operating assets and liabilities	**118,846,866**	108,336,499
(Increase)/decrease in current assets		
Inventories	**18,067,397**	66,057,794
Trade receivables	**8,982,206**	(6,721,244)
Advances, deposits and other receivables	**(1,117,033)**	(1,219,368)
Increase/(decrease) in current liabilities		
Trade and other payables	**(5,842,189)**	(85,852,624)
Cash generated from operations	**138,937,247**	80,601,057
Employees' end-of-service benefits paid	**(571,661)**	(2,216,671)
Net cash from operating activities	**138,365,586**	78,384,386
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(24,604,617)**	(106,135,717)
Proceeds from disposal of property, plant and equipment	**91,501**	101,802
Investment in an associate	**(13,561,000)**	-
Net cash (used in) investing activities	**(38,074,116)**	(106,033,915)
Cash flows from financing activities		
Proceeds from term loans	**25,830,477**	120,797,943
(Repayment) of term loans	**(82,093,149)**	(61,946,849)
(Repayment) of other bank borrowings, net	**(36,948,412)**	(7,900,227)
(Repayment) of finance lease liability	**-**	(13,702,861)
Dividends paid	**(17,826,319)**	(3,417)
Remuneration paid to the Board of Directors	**(2,300,000)**	-
Net cash (used in)/from financing activities	**(113,337,403)**	37,244,589
Net (decrease)/increase in cash and cash equivalents	**(13,045,933)**	9,595,060
Cash and cash equivalents, beginning of the year	**28,162,313**	18,567,253
Cash and cash equivalents, end of the year	**15,116,380**	28,162,313
Represented by:		
Cash in hand	**247,590**	144,796
Bank balances - current accounts	**14,868,790**	28,017,517
	15,116,380	28,162,313

The accompanying notes form an integral part of these financial statements.
The report of the auditors is set out on pages 2 to 5.

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 the Kuwait Stock Exchange.

1.2 The principal activities of the Entity are unchanged since the previous year and include the 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 and amended standards

2.1 New and revised IFRSs applied with no material effect on the financial statements

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Annual Improvements to IFRSs 2012-2014 cycles:

• IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

• IFRS 7 "Financial Instruments: Disclosures": Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Further with consequential amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

• IAS 19 "Employee Benefits": Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

• IAS 34 "Interim Financial Reporting": Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Amendments to IFRS 11 "Joint Arrangements" clarify accounting for acquisitions of interests in joint operations where the activities of the operation constitute a business.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" clarify that revenue-based method of depreciation or amortisation is generally not appropriate.
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.

Disclosure Initiative-Amendments to IAS 1 "Presentation of Financial Statements" makes the following changes:

• Materiality: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

• Disaggregation and subtotals: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

2 New and amended standards (continued)

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

• Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

Amendments to IAS 27 "Separate Financial Statements" which allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost or as financial asset in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements. The amendments introduce the equity method as a third option.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures ": Clarify the exception from preparing consolidated financial statements available to intermediate parent entities which are subsidiaries of investments entities.

2.2 New and revised standards and amendments in issue but were not mandatory for annual reporting period ending December 31, 2016.

New and revised standards and amendments	Effective for annual periods beginning on or after
Amendments in Disclosure Initiative (Amendments to IAS 7 "Statement of Cash Flows") that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.	January 1, 2017
IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts", and the related interpretations when it becomes effective.	January 1, 2018
IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations. Earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.	January 1, 2019

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 on the financial statements in the period of initial application. There are no other standards that are not yet effective and that would be expected to have a material impact on the Entity in the current or future reporting periods and on foreseeable future transactions.

3 Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of UAE Laws. These financial statements are presented in Arab Emirates Dirhams (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.

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 economic best interest.

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

3.5 Foreign currency

In preparing the financial statements of the Entity, 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 comprise of 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 profit or loss during the financial period in which they are incurred.

3 Significant accounting policies (continued)

3.6 Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost of property, plant and equipment (other than land and capital work-in-progress), using the straight-line method over their useful lives as follows:

	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

Buildings and leasehold improvements are being depreciated over the period from when these became available for use up to the end of the lease term.

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 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.

3.7 Investment in 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 the associate are accounted for using the equity method of accounting. 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.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Entity's investment in the associate. 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.

3 Significant accounting policies (continued)

3.7 Investment in associate (continued)

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 IAS 39. 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.

3.8 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 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 Significant accounting policies (continued)

3.10 Impairment of tangible and intangible assets (continued)

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 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

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade receivables", "advances, deposits and other receivables" and "cash and cash equivalents" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Trade receivables, advances, deposits and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, 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.

Impairment of financial assets

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3 Significant accounting policies (continued)

3.12 Financial assets (continued)

Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Entity may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

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 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 and 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.

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 profit or loss.

3 Significant accounting policies (continued)

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

Inventory of raw materials are valued at the lower of average cost or net realizable value. Inventories of finished goods and semi-finished goods are valued at the lower of average production cost or net realizable value. Production costs include materials, labour, direct expenses and production overheads.

Inventories of spare parts 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 profit or loss.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 Significant accounting policies (continued)

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.

3.21 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 accounting judgements

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.

Revenue recognition

In recognising revenue, management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

Related parties

Management has disclosed the related parties and the related due from and to related parties as per the requirements of IAS 24 "Related Party Disclosures". In view of due from and to related parties being receivable and payable on demand and management's intention to realise or pay the related parties as and when necessarily required, the disclosed balances are classified as current assets and current liabilities.

3 Significant accounting policies (continued)

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

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.

Allowance for doubtful debts

Allowance for doubtful debts is determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet financial obligations.

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.

Property, plant 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, 2014	120,148,630	1,825,192,070	2,515,811	25,348,000	11,819,694	30,918,672	25,187,103	2,041,129,980
Addition during the year	255,000	2,670,438	130,890	158,843	297,917	-	102,622,629	106,135,717
Transferred from capital work-in-progress	12,593,945	-	-	-	-	-	(12,593,945)	-
Disposal during the year	-	-	-	(637,598)	-	-	-	(637,598)
As at December 31, 2015	132,997,575	1,827,862,508	2,646,701	24,869,245	12,117,611	30,918,672	115,215,787	2,146,628,099
Addition during the year	31,000	3,165,945	119,800	1,728,044	220,116	-	19,339,712	24,604,617
Transferred from capital work-in-progress	19,396,270	114,410,598	-	-	-	-	(133,806,868)	-
Disposal during the year	-	-	-	(822,977)	(2,900)	-	-	(825,877)
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**
Accumulated depreciation								
As at December 31, 2014	22,923,436	718,551,179	2,358,075	25,129,642	11,202,239	20,030,175	-	800,194,746
Charge for the year	3,515,196	45,340,894	74,902	105,877	313,283	778,873	-	50,129,025
Eliminated on disposal during the year	-	-	-	(637,595)	-	-	-	(637,595)
As at December 31, 2015	26,438,632	763,892,073	2,432,977	24,597,924	11,515,522	20,809,048	-	849,686,176
Charge for the year	4,059,055	48,698,628	93,224	344,969	345,493	778,873	-	54,320,242
Eliminated on disposal during the year	-	-	-	(822,965)	(2,899)	-	-	(825,864)
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**
Carrying value								
As at December 31, 2016	**121,927,158**	**1,132,848,350**	**240,300**	**1,654,384**	**476,711**	**9,330,751**	**748,631**	**1,267,226,285**
As at December 31, 2015	106,558,943	1,063,970,435	213,724	271,321	602,089	10,109,624	115,215,787	1,296,941,923

Notes:

- Part of the Entity's 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 on Waste Heat Recovery (WHR) project capitalized during the year amounted to AED 855,121 (2015: AED 3,511,515).
- Registered chattel mortgage over the WHR based captive power plant expansion project and assignment of insurance policy covering the project is provided 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).
- Registered charge over Thermal Power Plant (including machinery), 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).
- Depreciation is fully charged to cost of sales (note 22).
- Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period, amounted to AED 352,822,510 (2015: AED 36,944,083).

5 Extraction and concession rights

	2016	2015
Extraction rights	-	2,493,805
Concession rights	3,300,000	5,500,000
	3,300,000	7,993,805

	Extraction rights	Concession rights	Total
Cost			
As at December 31, 2014	76,500,000	22,000,000	98,500,000
As at December 31, 2015	76,500,000	22,000,000	98,500,000
Written off during the year	(76,500,000)	-	(76,500,000)
As at December 31, 2016	-	**22,000,000**	**22,000,000**
Accumulated amortisation			
As at December 31, 2014	71,512,367	14,300,000	85,812,367
Amortisation for the year	2,493,828	2,200,000	4,693,828
As at December 31, 2015	74,006,195	16,500,000	90,506,195
Amortisation for the year	2,493,805	2,200,000	4,693,805
Written off during the year	(76,500,000)	-	(76,500,000)
As at December 31, 2016	-	**18,700,000**	**18,700,000**
Carrying value:			
As at December 31, 2016	-	**3,300,000**	**3,300,000**
As at December 31, 2015	2,493,805	5,500,000	7,993,805

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

	2016	2015
20% interest in M/s. Sohar Cement Factory L.L.C., Sohar, Sultanate of Oman (the "Associate")	**13,561,000**	-

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 not commenced operations as it is in the plant-erection phase.

As at December 31, 2016, the asset and liabilities of the Associate are as follows:

Non-current assets	(Omani Riyals)	**4,794,713**
Current assets	(Omani Riyals)	**2,305,287**
Total liabilities	(Omani Riyals)	-

7 Inventories

		2016	2015
Raw materials		**26,375,131**	25,118,887
Semi-finished products		**35,420,661**	46,131,688
Finished products		**2,864,149**	3,655,390
	(a)	**64,659,941**	74,905,965
Spare parts		**122,500,793**	127,976,300
Less: Allowance for slow-moving spare parts		**(23,000,000)**	(22,000,000)
		99,500,793	105,976,300
Burning media		**44,691,384**	47,030,727
Bags and packing materials		**529,814**	536,337
	(b)	**144,721,991**	153,543,364
	(a)+(b)	**209,381,932**	228,449,329

7 Inventories (continued)

Allowance for slow-moving spare parts

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

	2016	2015
Balance at the beginning of the year	**22,000,000**	21,000,000
Charge during the year (note 24)	**1,000,000**	1,000,000
Balance at the end of the year	**23,000,000**	22,000,000

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

The above inventories are lying in the factory premises and yards located at Dibba, Fujairah - United Arab Emirates.

8 Trade receivables

	2016	2015
Trade receivables	**161,458,909**	170,527,778
Less: Allowance for doubtful debts	**(1,802,021)**	(1,888,684)
	159,656,888	168,639,094
Coverage:		
Secured	**129,054,443**	121,918,258
Open credit	**30,602,445**	46,720,836
	159,656,888	168,639,094

The average credit period for the trade receivables is 99 days (2015: 102 days). No interest is charged on trade receivables in the normal course of business.

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

Trade receivables include :-

- AED 47.5 million (2015: AED 36.6 million) due from the Entity's largest customer and is fully secured.
- 5 customers (2015: 5 customers) representing 68% (2015: 63%) of the trade receivables.
- AED 12 million (2015: AED 11.3 million) which is past due. Of this, AED 9.9 million (2015: AED 9.4 million) is secured.

Allowance for doubtful debts:

The movement in the allowance for doubtful debts is as follows:

	2016	2015
Balance at the beginning of the year	**1,888,684**	2,306,755
Written-off during the year	**(86,663)**	(418,071)
Balance at the end of the year	**1,802,021**	1,888,684

In determining the recoverability of a trade receivable, 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:

	2016	2015
Within U.A.E.	**100,624,820**	119,151,522
Outside U.A.E. : G.C.C.	**59,032,068**	49,487,572
	159,656,888	168,639,094

9 Advances, deposits and other receivables

	2016	2015
Prepayments	**379,723**	260,057
Advances to suppliers	**4,924,396**	3,943,691
Other receivables	**376,696**	360,034
	5,680,815	4,563,782

10 Cash and bank balances

	2016	2015
Cash in hand	**247,590**	144,796
Bank balances - current accounts	**14,868,790**	28,017,517
	15,116,380	28,162,313

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

11 Share capital

		2016	2015
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

12 Basic and diluted earnings per share

		2016	2015
Profit for the year	(AED)	**56,723,363**	50,648,825
Weighted average number of shares	(Nos.)	**355,865,320**	355,865,320
Earnings per share for the year	(U.A.E. Fils)	**15.9**	14.2

13 Proposed distribution of profits

For the year 2016, the Board of Directors have proposed a cash dividend of 6% of the paid-up share capital, amounting to AED 21,351,919 (2015 : 17,793,266), subject to approval by the Shareholders' General Assembly.

14 Statutory reserve

	2016	2015
Balance at the beginning of the year	**150,140,776**	145,075,893
Add: Transferred from profit for the year (note 16)	**5,672,336**	5,064,883
Balance at the end of the year	**155,813,112**	150,140,776

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 distributable when approved by a shareholders' resolution based on the recommendation of the Board of Directors.

15 Voluntary reserve

	2016	2015
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.

16 Retained earnings

	2016	2015
Balance at the beginning of the year	**273,488,964**	227,905,022
Profit for the year	**56,723,363**	50,648,825
Less: Transferred to statutory reserve (note 14)	**(5,672,336)**	(5,064,883)
Remuneration to the Board of Directors (note 28)	**(2,300,000)**	-
Dividend paid*	**(17,793,266)**	-
Balance at the end of the year	**304,446,725**	273,488,964

*During the year, a cash dividend of 5% of the paid-up share capital, amounting to AED 17,793,266 (2015: nil) was paid as approved in the shareholders' general assembly held on April 21, 2016.

17 Bank borrowings

(a) Term loans

	2016	2015
Balance at the beginning of the year	**462,312,886**	334,947,492
Add: Received during the year	**25,830,477**	120,797,943
Add: Transferred from finance lease liability (note 18)	-	68,514,300
Less: Repaid during the year	**(82,093,149)**	(61,946,849)
Balance at the end of the year	**406,050,214**	462,312,886
Comprising:		
Non-current portion	**310,631,012**	380,392,675
Current portion	**95,419,202**	81,920,211
	406,050,214	462,312,886
Break-up of term loans		
Term loan 1	**138,497,299**	178,067,956
Term loan 2	**118,847,756**	98,680,038
Term loan 3	**66,666,667**	83,333,333
Term loan 4	**51,385,725**	62,804,775
Term loan 5	**29,570,088**	39,426,784
Term loan 6	**1,082,679**	-
	406,050,214	462,312,886

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. During 2010, the outstanding balance of AED 336,350,584 was rescheduled to be repaid in seventeen semi-annual installments of AED 19,785,328 each commenced in February 2012 and ending in February 2020.

Term loan 2

During 2014, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for AED 123,400,000 to finance the Waste Heat Recovery based captive power plant expansion project. Drawdown of this loan as of December 31, 2016 amounted to AED 123,249,525. Repayment of the loan is in twenty eight equal quarterly installments of AED 4,401,769 each commenced in November 2016 and ending in October 2023.

Term loan 3

During 2014, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for AED 100,000,000 to refinance the existing liabilities with other banks. Repayment of the loan is in twelve equal half yearly installments of AED 8,333,333 each commenced in March 2015 and ending in September 2020.

Term loan 4

During April 2015, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for AED 68,514,300 to convert the existing finance lease liability with the same bank (note 18). Repayment of the loan is in twelve equal half yearly installments of AED 5,709,525 each commenced in August 2015 and ending in February 2021.

Term loan 5

During September 2015, the Entity was sanctioned this loan from a bank operating in the United Arab Emirates for AED 40,000,000, of which AED 39,426,784 was drawn down, to finance royalty payment of AED 11,426,784 to Fujairah Natural Resources Corporation and land rent payment of AED 28,000,000 to Dibba Municipality. Repayment of the loan is in eight equal half yearly installments of AED 4,928,348 each commenced in March 2016 and ending in September 2019.

Term loan 6

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.

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

17 Bank borrowings (continued)

(b) Other bank borrowings

		2016	2015
Trust receipts		**112,192,083**	117,450,082
Bills discounted		**9,415,285**	41,105,698
		121,607,368	158,555,780

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.

Bank borrowings - non-current portion

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

		2016	2015
In the second year		**95,438,277**	95,141,640
In the third to fifth year		**184,380,359**	255,782,903
After five years		**30,812,376**	29,468,132
Term loans	(refer a)	**310,631,012**	380,392,675
Bank borrowings - current portion			
Term loans	(refer a)	**95,419,202**	81,920,211
Other bank borrowings	(refer b)	**121,607,368**	158,555,780
		217,026,570	240,475,991
Total bank borrowings		**527,657,582**	620,868,666

Bank borrowings are secured by:

i) Registered charge over Thermal Power Plant (including machinery) (note 4).
ii) Registered chattel mortgage over the Waste Heat Recovery based captive power plant expansion project (note 4).
iii) Assignment of insurance policy for AED 406.7 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 basis (note 4).
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 over inventories on pari passu basis (note 7).
x) General assignment of trade receivables in favor of the bank (note 8).

18 Finance lease liability

	2016	2015
Balance at the beginning of the year	-	82,217,161
Less: Repaid during the year	-	(13,702,861)
Less: Transferred to term loans (note 17)	-	(68,514,300)
Balance at the end of the year	-	-

In April 2015, the lending bank converted the financial lease liability into a term loan (note 17).

19 Employees' end of service benefits

	2016	2015
Balance at the beginning of the year	**13,503,986**	13,754,037
Add: Charge for the year	**2,200,944**	1,966,620
Less: Paid during the year	**(571,661)**	(2,216,671)
Balance at the end of the year	**15,133,269**	13,503,986

Amounts required to cover end of service benefits 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 that date.

20 Trade and other payables

	2016	2015
Trade payable	**67,744,982**	67,400,903
Retention payable	**295,996**	9,237,474
Dividends payable	**4,257,534**	4,290,587
Advances received from customers	**545,016**	1,513,121
Accruals	**14,170,020**	11,353,251
Interest payable	**3,790,737**	3,872,800
Other payables	**1,667,005**	678,396
	92,471,290	98,346,532

21 Revenue

	For the year ended December 31, 2016	2015
Sales : Within U.A.E.	**236,748,355**	258,930,024
: Outside U.A.E. : G.C.C.	**359,605,894**	343,605,497
: Others	**467,302**	9,672,031
	596,821,551	612,207,552

22 Cost of sales

	2016	2015
Manufacturing costs	**447,933,124**	486,803,090
Depreciation of property, plant and equipment (note 4)	**54,320,242**	50,129,025
	502,253,366	536,932,115

23 Selling and distribution expenses

	2016	2015
Salaries and related benefits	**1,812,481**	1,434,579
Vehicle expenses	**337,668**	411,297
Business promotion	**221,175**	46,115
Others	**120,403**	71,790
	2,491,727	1,963,781

24 General and administrative expenses

	2016	2015
Salaries and related benefits	**7,717,018**	6,311,164
Insurance	**1,380,168**	1,373,672
Legal, visa, professional and related expenses	**4,832,390**	1,280,239
Social responsibility contributions*	**1,197,000**	1,254,280
Allowance for slow-moving spare parts (note 7)	**1,000,000**	1,000,000
Rent	**543,693**	316,694
Utilities	**297,237**	396,188
Telephone and communication	**461,179**	419,067
Travelling and entertainment	**195,480**	226,196
Repairs and maintenance	**290,329**	315,233
Others	**398,128**	658,558
	18,312,622	13,551,291

* Social responsibility contributions comprise AED 1 million (2015: AED 1 million) paid to Fujairah Foundation for Regions Development and AED 197,000 (2015: 254,280) to recognised institutions.

25 Finance costs

	2016	2015
Interest on bank borrowings	**13,660,743**	17,111,088

26 Other income

	For the year ended December 31, 2016	2015
Sale of scrap	**122,578**	117,460
Gain on disposal of property, plant and equipment	**91,488**	101,799
Cash discounts received*	**-**	11,643,575
Others	**1,100,009**	830,542
	1,314,075	12,693,376

*Includes discount of AED 11.4 million granted by the Government of Fujairah on payment of royalty dues.

27 Operating lease commitments

Cement and clinker plants, buildings and thermal power plant are erected on land leased from Fujairah 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:

	2016	2015
Within one year	**9,632,123**	9,443,257
More than 1 year and less than 5 years	**40,493,830**	39,699,833
More than 5 years	**258,393,817**	268,819,937
	308,519,770	317,963,027

28 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.

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

	2016	2015
a) Balances due from related parties (included in trade receivables)	**1,146,312**	1,630,845
b) Balances due to related parties (included in trade and other payables)	**1,022,952**	-

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, 2016	2015
Sales	**4,693,283**	4,867,060
Construction of property, plant and equipment	**10,450,000**	-

d) Key management personnel compensation

The compensation of key management personnel is as follows:

Key management remuneration	**4,325,659**	3,056,237
Remuneration to the Board of Directors (as approved in the shareholders' general assembly) (note 16)	**2,300,000**	-

29 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.

b) Fair value of financial instruments that are not measured at fair value on recurring basis

	As at December 31,		As at December 31,	
	2016	2015	**2016**	2015
Financial assets	Carrying amount		Fair value	
Trade receivables	**159,656,888**	168,639,094	**159,656,888**	168,639,094
Advances, deposits and other receivables	**376,696**	360,034	**376,696**	360,034
Cash and bank balances	**15,116,380**	28,162,313	**15,116,380**	28,162,313
	175,149,964	197,161,441	**175,149,964**	197,161,441
Financial liabilities				
Bank borrowings	**527,657,582**	620,868,666	**527,657,582**	620,868,666
Trade and other payables	**91,926,274**	96,833,411	**91,926,274**	96,833,411
	619,583,856	717,702,077	**619,583,856**	717,702,077

Financial instruments comprise of financial assets and financial liabilities, as stated above.

As at the end of the reporting period, the fair values of financial instruments approximate their carrying amounts.

The fair values of financial instruments are included at the amount at which the instruments could be exchanged in a current transaction between knowledgeable willing parties.

c) Valuation premise for fair value of 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 the end of the reporting period, 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. As at the end of the reporting period, the carrying amounts of such financial liabilities were not materially different from their calculated fair values.

30 Financial risk management objectives

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.

30 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 Dirhams, other G.C.C. currencies or United States Dollars to which the Arab Emirates Dirhams is fixed. Management undertakes suitable procedures to minimize risks associated with transactions denominated in currencies other than Arab Emirates Dirhams and United States Dollars.

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 financial result for the current year would (decrease)/increase by AED 2,638,288 (2015: AED 3,104,343).

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 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 on the following page summarises the maturity profile of the Entity's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by the management to ensure adequate liquidity is maintained. The maturity profile of the financial instruments at the end of the reporting period, based on contractual repayment arrangements, is also shown on the following page:

30 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, 2016			
Financial assets							
Trade receivables	-	-	-	-	159,656,888	-	159,656,888
Advances, 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
				As at December 31, 2015			
Financial assets							
Trade receivables	-	-	-	-	168,639,094	-	168,639,094
Advances, deposits and other receivables	-	-	-	-	360,034	-	360,034
Cash and bank balances	-	-	-	28,162,313	-	-	28,162,313
	-	-	-	28,162,313	168,999,128	-	197,161,441
Financial liabilities							
Bank borrowings	-	240,475,991	380,392,675	-	-	-	620,868,666
Trade and other payables	-	-	-	-	96,833,411	-	96,833,411
	-	240,475,991	380,392,675	-	96,833,411	-	717,702,077

30 Financial risk management objectives (continued)

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.

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 credit exposure is continuously monitored and regularly reviewed by the management 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.

31 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.

32 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known contingent liability as of the reporting date.

33 Commitments

	As at December 31,	
	2016	2015
Commitments for the purchase of property, plant and equipment	**77,000**	30,034,250

Except for the above and ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known commitment as of the reporting date.

34 Comparatives

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.