

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

**Independent auditor's review report and condensed
interim financial information**

**For the three month period ended March 31, 2018
(unaudited)**

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

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Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

General information

Head Office Address : P. O. Box: 600
Fujairah - United Arab Emirates
T: +971 9 222 3111
F: +971 9 222 7718
Email: hofci79@fciho.ae

Factory Address : P.O. Box: 11477
Dibba, Fujairah - United Arab Emirates
T: +971 9 244 4011
F: +971 9 244 4016
Email: fujcem82@emirates.net.ae

Website : www.fujairahcement.com

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

Ref: JM/AR/F-18/027

Independent auditor's report on review of condensed interim financial information

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

Introduction

We have reviewed the accompanying condensed interim financial information of **M/s. Fujairah Cement Industries P.J.S.C.**, Fujairah - United Arab Emirates (the "Entity") which comprise the condensed interim statement of financial position as at March 31, 2018, the condensed interim statement of profit or loss, the condensed interim statement of other comprehensive income, the condensed interim statement of changes in shareholders' equity and the condensed interim statement of cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

For Horwath Mak


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



May 10, 2018

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Condensed interim statement of financial position as at March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | Notes | Mar 31, 2018 (Unaudited) | Dec 31, 2017 (Audited) |
|---|-------|-----------------------------|-----------------------------|
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 3 | 1,246,067,005 | 1,242,501,823 |
| Concession rights | 4 | 550,000 | 1,100,000 |
| Investment in an associate | 5 | 13,561,000 | 13,561,000 |
| <i>Total non-current assets</i> | | <u>1,260,178,005</u> | <u>1,257,162,823</u> |
| <i>Current assets</i> | | | |
| Inventories | 6 | 280,925,765 | 291,283,921 |
| Trade receivables | 7 | 200,981,556 | 176,008,071 |
| Advances, deposits and other receivables | 8 | 13,821,573 | 4,455,974 |
| Cash and bank balances | 9 | 9,550,677 | 13,575,591 |
| <i>Total current assets</i> | | <u>505,279,571</u> | <u>485,323,557</u> |
| Total assets | | <u>1,765,457,576</u> | <u>1,742,486,380</u> |
| Shareholders' equity and liabilities | | | |
| <i>Shareholders' equity</i> | | | |
| Share capital | 10 | 355,865,320 | 355,865,320 |
| Statutory reserve | 13 | 159,518,295 | 159,518,295 |
| Voluntary reserve | 14 | 222,536,002 | 222,536,002 |
| Retained earnings | 15 | 320,673,613 | 313,141,451 |
| <i>Total shareholders' equity</i> | | <u>1,058,593,230</u> | <u>1,051,061,068</u> |
| <i>Non-current liabilities</i> | | | |
| Bank borrowings - non-current portion | 16 | 320,107,512 | 222,214,020 |
| Employees' end of service benefits | 17 | 16,973,313 | 16,214,496 |
| <i>Total non-current liabilities</i> | | <u>337,080,825</u> | <u>238,428,516</u> |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 18 | 120,620,629 | 142,296,238 |
| Bank borrowings - current portion | 16 | 249,162,892 | 310,700,558 |
| <i>Total current liabilities</i> | | <u>369,783,521</u> | <u>452,996,796</u> |
| <i>Total liabilities</i> | | <u>706,864,346</u> | <u>691,425,312</u> |
| Total shareholders' equity and liabilities | | <u>1,765,457,576</u> | <u>1,742,486,380</u> |

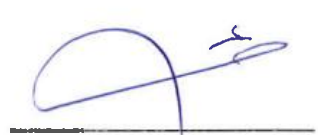
The accompanying notes form an integral part of this condensed interim financial information.

The review report of the auditor is set out on page 2.

The condensed interim financial information on pages 3 to 18 were approved by the Board of Directors on May 10, 2018 and signed on its behalf by:



Chairman



Board member

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Condensed interim statement of profit or loss

For the three month period ended March 31, 2018 (Unaudited)

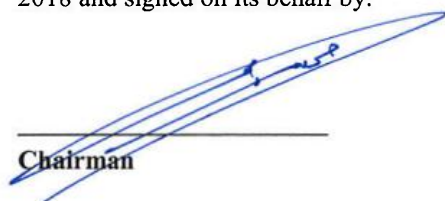
(In Arab Emirates Dirham)

| | Notes | Jan 01, 2018 to Mar 31, 2018 (3 months) (Unaudited) | Jan 01, 2017 to Mar 31, 2017 (3 months) (Unaudited) |
|--|-------|--|--|
| Revenue | 19 | 163,216,800 | 155,666,495 |
| Cost of sales | | (129,874,257) | (116,759,766) |
| Gross profit | | 33,342,543 | 38,906,729 |
| Selling and distribution expenses | | (17,946,947) | (17,324,512) |
| General and administrative expenses | | (4,361,834) | (5,548,352) |
| Amortization of concession rights | 4 | (550,000) | (550,000) |
| Finance costs | | (3,578,828) | (3,331,840) |
| Other income | | 627,228 | 429,909 |
| Profit for the period | | 7,532,162 | 12,581,934 |
| Basic and diluted earnings per share (U.A.E. Fils) | 11 | 2.1 | 3.5 |

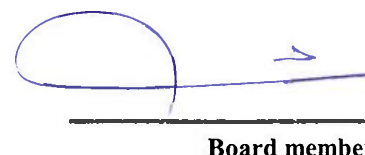
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Chairman



Board member

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Condensed interim statement of other comprehensive income

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | <u>Jan 01, 2018 to</u> <u>Mar 31, 2018</u> <u>(3 months)</u> <u>(Unaudited)</u> | <u>Jan 01, 2017 to</u> <u>Mar 31, 2017</u> <u>(3 months)</u> <u>(Unaudited)</u> |
|--|--|--|
| Profit for the period | 7,532,162 | 12,581,934 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 7,532,162 | 12,581,934 |

The accompanying notes form an integral part of this condensed interim financial information.

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Chairman
Board member

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Condensed interim statement of changes in shareholders' equity

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | <u>Share capital</u> | <u>Statutory reserve</u> | <u>Voluntary reserve</u> | <u>Retained earnings</u> | <u>Total shareholders' equity</u> |
|---|---------------------------|------------------------------|------------------------------|------------------------------|---|
| Balance as at December 31, 2016 (Audited) | 355,865,320 | 155,813,112 | 222,536,002 | 304,446,725 | 1,038,661,159 |
| Profit for the period | - | - | - | 12,581,934 | 12,581,934 |
| Balance as at March 31, 2017 (Unaudited) | <u>355,865,320</u> | <u>155,813,112</u> | <u>222,536,002</u> | <u>317,028,659</u> | <u>1,051,243,093</u> |
| Balance as at December 31, 2017 (Audited) | 355,865,320 | 159,518,295 | 222,536,002 | 313,141,451 | 1,051,061,068 |
| Profit for the period | - | - | - | 7,532,162 | 7,532,162 |
| Balance as at March 31, 2018 (Unaudited) | <u>355,865,320</u> | <u>159,518,295</u> | <u>222,536,002</u> | <u>320,673,613</u> | <u>1,058,593,230</u> |

The accompanying notes form an integral part of this condensed interim financial information.

The review report of the auditor is set out on page 2.

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Condensed interim statement of cash flows

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | Jan 01, 2018 to Mar 31, 2018 (3 months) (Unaudited) | Jan 01, 2017 to Mar 31, 2017 (3 months) (Unaudited) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit for the period | 7,532,162 | 12,581,934 |
| <i>Adjustments for:</i> | | |
| (Gain) on disposal of property, plant and equipment | - | (2,999) |
| Depreciation on property, plant and equipment | 12,482,451 | 12,202,408 |
| Allowance for slow-moving spare parts | - | 250,000 |
| Amortization of concession rights | 550,000 | 550,000 |
| Provision for employees' end of service benefits | 1,229,565 | 1,138,240 |
| Finance cost | 3,578,828 | 3,331,840 |
| Operating profit before changes in operating assets and liabilities | 25,373,006 | 30,051,423 |
| <i>(Increase)/decrease in current assets</i> | | |
| Inventories | 10,358,156 | (14,011,275) |
| Trade receivables | (24,973,485) | (366,347) |
| Advances, deposits and other receivables | (9,365,599) | (10,194,500) |
| <i>Increase/(decrease) in current liabilities</i> | | |
| Trade and other payables | (21,335,285) | 14,032,579 |
| Cash (used in)/generated from operations | (19,943,207) | 19,511,880 |
| Employees' end-of-service benefits paid | (470,748) | (227,266) |
| Net cash (used in)/from operating activities | (20,413,955) | 19,284,614 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (16,047,633) | (1,929,419) |
| Proceeds from disposal of property, plant and equipment | - | 3,000 |
| Net cash (used in) investing activities | (16,047,633) | (1,926,419) |
| Cash flows from financing activities | | |
| Proceeds from term loans | 106,059,550 | - |
| (Repayment) of term loans | (105,837,822) | (43,231,470) |
| Proceeds from other bank borrowings, net | 36,134,098 | 25,655,367 |
| Finance cost paid | (3,909,072) | (4,883,226) |
| Dividends paid | (10,080) | (159,046) |
| Net cash from/(used in) financing activities | 32,436,674 | (22,618,375) |
| Net (decrease) in cash and cash equivalents | (4,024,914) | (5,260,180) |
| Cash and cash equivalents, beginning of the period | 13,575,591 | 15,116,380 |
| Cash and cash equivalents, end of the period | 9,550,677 | 9,856,200 |
| Cash and cash equivalents: | | |
| Cash in hand | 198,035 | 105,301 |
| Bank balances - current accounts | 9,352,642 | 9,750,899 |
| | 9,550,677 | 9,856,200 |

The accompanying notes form an integral part of this condensed interim financial information.

The review report of the auditor is set out on page 2.

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Notes to the condensed interim financial information

For the three month period ended March 31, 2018 (Unaudited)

1 Legal status and business activities

- 1.1** M/s. **Fujairah Cement Industries P.J.S.C.** (the "Entity") is a public joint stock company in the Emirate of Fujairah - United Arab Emirates established on December 20, 1979. The Entity's ordinary shares are listed on the Abu Dhabi Securities Exchange and Boursa Kuwait (Kuwait Stock Exchange).
- 1.2** The 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** This condensed interim financial information incorporates the operating results of the Industrial license no. 80001.

2 Significant accounting policies

2.1 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and is presented in Arab Emirates Dirham (AED) which is the functional currency of the Entity.

This condensed interim financial information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

The accounting policies and methods of computation adopted in preparing this condensed interim financial information are consistent with those used in the audited financial statements for the year ended December 31, 2017.

All aspects of the financial risk management objectives and policies are consistent with that disclosed in the audited financial statements for the year ended December 31, 2017.

This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2017.

The result for the three month period ended March 31, 2018 is not necessarily indicative of the result that may be expected for the financial year ending December 31, 2018.

The preparation of this condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited financial statements for the year ended December 31, 2017.

2.2 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.

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Notes to the condensed interim financial information

For the three month period ended March 31, 2018 (Unaudited)

2 Significant accounting policies (continued)**2.2 Property, plant and equipment (continued)**

Depreciation is spread over their useful lives 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:

| | <u>Years</u> |
|--------------------------------------|--------------|
| Buildings and leasehold improvements | 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 the statement of profit or loss.

Capital work-in-progress

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

2.3 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 the statement of profit or loss in the period in which investment is acquired.

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.

2 Significant accounting policies (continued)

2.3 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 assets 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.

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Notes to the condensed interim financial information

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

3 Property, plant and equipment

| | Land, buildings and leasehold improvements | Plant and machinery | Furniture and fixtures | Vehicles and mobile plant | Tools and equipment | Quarry development costs | Capital work-in- progress | Total |
|---|--|------------------------|---------------------------|------------------------------|------------------------|--------------------------------|------------------------------|----------------------|
| Cost | | | | | | | | |
| As at December 31, 2016 (Audited) | 152,424,845 | 1,945,439,051 | 2,766,501 | 25,774,312 | 12,334,827 | 30,918,672 | 748,631 | 2,170,406,839 |
| Addition during the year | 55,000 | 13,202,425 | 524,192 | 773,578 | 370,935 | - | 9,466,241 | 24,392,371 |
| Disposal during the year | - | - | - | (114,000) | - | - | - | (114,000) |
| As at December 31, 2017 (Audited) | 152,479,845 | 1,958,641,476 | 3,290,693 | 26,433,890 | 12,705,762 | 30,918,672 | 10,214,872 | 2,194,685,210 |
| Addition during the period | - | 6,788,905 | 105,562 | - | 47,331 | - | 9,105,835 | 16,047,633 |
| Transferred from capital work-in-progress | 1,600,000 | - | - | - | - | - | (1,600,000) | - |
| As at March 31, 2018 (Unaudited) | 154,079,845 | 1,965,430,381 | 3,396,255 | 26,433,890 | 12,753,093 | 30,918,672 | 17,720,707 | 2,210,732,843 |
| Accumulated depreciation | | | | | | | | |
| As at December 31, 2016 (Audited) | 30,497,687 | 812,590,701 | 2,526,201 | 24,119,928 | 11,858,116 | 21,587,921 | - | 903,180,554 |
| Charge for the year | 4,455,825 | 42,812,287 | 184,325 | 558,061 | 327,460 | 778,873 | - | 49,116,831 |
| Eliminated on disposal during the year | - | - | - | (113,998) | - | - | - | (113,998) |
| As at December 31, 2017 (Audited) | 34,953,512 | 855,402,988 | 2,710,526 | 24,563,991 | 12,185,576 | 22,366,794 | - | 952,183,387 |
| Charge for the period | 1,120,829 | 10,842,242 | 58,043 | 178,485 | 88,134 | 194,718 | - | 12,482,451 |
| As at March 31, 2018 (Unaudited) | 36,074,341 | 866,245,230 | 2,768,569 | 24,742,476 | 12,273,710 | 22,561,512 | - | 964,665,838 |
| Carrying value | | | | | | | | |
| As at March 31, 2018 (Unaudited) | 118,005,504 | 1,099,185,151 | 627,686 | 1,691,414 | 479,383 | 8,357,160 | 17,720,707 | 1,246,067,005 |
| As at December 31, 2017 (Audited) | 117,526,333 | 1,103,238,488 | 580,167 | 1,869,899 | 520,186 | 8,551,878 | 10,214,872 | 1,242,501,823 |

Notes:

- Part of the buildings, plant and machinery are constructed/erected on land obtained on lease from the Government of Fujairah.
- Capital work-in-progress mainly represents equipment being installed.
- Borrowing costs capitalized during the period amounted to AED 136,537 (March 31, 2017: AED Nil).
- Registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project and assignment of insurance policy covering the project in favour of the bank against a term loan (note 16).
- Insurance policies covering movable assets are assigned in favour of a bank against a term loan (note 16).
- Commercial mortgage over Thermal Power Plant, assignment of insurance policies covering the cement factory and Thermal Power Plant and assignment of leasehold rights over the land on which the Thermal Power Plant is located are provided as securities against term loans and other bank borrowings (note 16).
- Certain vehicles are hypothecated against a term loan (note 16).
- Depreciation is fully charged to cost of sales.
- Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period, amounted to AED 353,073,571 (December 31, 2017: AED 352,998,071).

Fujairah Cement Industries P.J.S.C.

Fujairah - United Arab Emirates

Notes to the condensed interim financial information

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
|--|---|---|
| 4 Concession rights | | |
| Carrying value at the end of the period/year | <u>550,000</u> | <u>1,100,000</u> |
| | | Concession rights |
| Cost | | |
| As at December 31, 2016 (Audited) | | <u>22,000,000</u> |
| As at December 31, 2017 (Audited) | | <u>22,000,000</u> |
| As at March 31, 2018 (Unaudited) | | <u>22,000,000</u> |
| Accumulated amortisation | | |
| As at December 31, 2016 (Audited) | | <u>18,700,000</u> |
| Amortisation for the year | | <u>2,200,000</u> |
| As at December 31, 2017 (Audited) | | <u>20,900,000</u> |
| Amortisation for the period | | <u>550,000</u> |
| As at March 31, 2018 (Unaudited) | | <u>21,450,000</u> |
| Carrying value: | | |
| As at March 31, 2018 (Unaudited) | | <u>550,000</u> |
| As at December 31, 2017 (Audited) | | <u>1,100,000</u> |

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 concession rights including extraction 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.

5 Investment in an associate

| | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
|---|---|---|
| 20% interest in M/s. Sohar Cement Factory L.L.C., Sohar, Sultanate of Oman (the "Associate") | <u>13,561,000</u> | <u>13,561,000</u> |

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 started commercial production as at March 31, 2018.

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Notes to the condensed interim financial information

For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
|---|---|---|
| 6 Inventories | | |
| Raw materials | 28,007,109 | 22,480,812 |
| Semi-finished products | 53,871,285 | 55,183,254 |
| Finished products | 2,900,088 | 3,721,621 |
| (a) | <u>84,778,482</u> | <u>81,385,687</u> |
| Spare parts | 128,228,905 | 135,885,476 |
| Less: Allowance for slow-moving spare parts | <u>(24,000,000)</u> | <u>(24,000,000)</u> |
| | 104,228,905 | 111,885,476 |
| Burning media | 90,315,802 | 97,406,245 |
| Bags and packing materials | 509,150 | 606,513 |
| (b) | <u>195,053,857</u> | <u>209,898,234</u> |
| Inventories in transit | (c) <u>1,093,426</u> | <u>-</u> |
| (a)+(b)+(c) | <u>280,925,765</u> | <u>291,283,921</u> |
| <i>Movement in allowance for slow-moving spare parts is as follows:</i> | | |
| Balance at the beginning of the period/year | 24,000,000 | 23,000,000 |
| Charge during the period/year | - | 1,000,000 |
| Balance at the end of the period/year | <u>24,000,000</u> | <u>24,000,000</u> |

Insurance policy is assigned against bank borrowings (note 16).

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

| | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
|------------------------------------|---|---|
| 7 Trade receivables | | |
| Trade receivables | 202,760,196 | 177,804,196 |
| Less: Allowance for doubtful debts | <u>(1,778,640)</u> | <u>(1,796,125)</u> |
| | <u>200,981,556</u> | <u>176,008,071</u> |
| <i>Coverage:</i> | | |
| Secured | 135,611,299 | 122,957,695 |
| Open credit | <u>65,370,257</u> | <u>53,050,376</u> |
| | <u>200,981,556</u> | <u>176,008,071</u> |

Trade receivables are assigned against bank borrowings (note 16).

8 Advances, deposits and other receivables

| | | |
|-----------------------|-------------------|------------------|
| Prepayments | 9,404,599 | 606,668 |
| Advances to suppliers | 3,810,002 | 3,215,277 |
| Other receivables | 606,972 | 634,029 |
| | <u>13,821,573</u> | <u>4,455,974</u> |

9 Cash and bank balances

| | | |
|----------------------------------|------------------|-------------------|
| Cash in hand | 198,035 | 100,062 |
| Bank balances - current accounts | <u>9,352,642</u> | <u>13,475,529</u> |
| | <u>9,550,677</u> | <u>13,575,591</u> |

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

10 Share capital

| | | |
|--|--------------------------|--------------------|
| 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) <u>355,865,320</u> | <u>355,865,320</u> |

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For the three month period ended March 31, 2018 (Unaudited)

(In Arab Emirates Dirham)

| | | <u>Jan 01, 2018 to</u> <u>Mar 31, 2018</u> <u>(3 months)</u> <u>(Unaudited)</u> | <u>Jan 01, 2017 to</u> <u>Mar 31, 2017</u> <u>(3 months)</u> <u>(Unaudited)</u> |
|---|---------------|--|--|
| 11 Earnings per share | | | |
| Profit for the period | (AED) | <u>7,532,162</u> | <u>12,581,934</u> |
| Weighted average number of shares | (Nos.) | <u>355,865,320</u> | <u>355,865,320</u> |
| Basic and diluted earnings per share for the period | (U.A.E. Fils) | <u>2.1</u> | <u>3.5</u> |
| 12 Approved distribution of profits | | | |
| The Shareholders' General Assembly held on April 12, 2018, for the year 2017, approved the distribution of cash dividend of 6% (2016: 6%) of the paid-up share capital, amounting to AED 21,351,919 (2016: AED 21,351,919). | | | |
| | | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
| 13 Statutory reserve | | | |
| Balance at the beginning of the period/year | | <u>159,518,295</u> | <u>155,813,112</u> |
| Add: Transferred from profit for the period/year (note 15) | | <u>-</u> | <u>3,705,183</u> |
| Balance at the end of the period/year | | <u>159,518,295</u> | <u>159,518,295</u> |
| In accordance with Article 239 of the 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. | | | |
| No transfer was effected at the end of the reporting period, as this will be based on the result for the financial year. | | | |
| | | <u>Mar 31, 2018</u> <u>(Unaudited)</u> | <u>Dec 31, 2017</u> <u>(Audited)</u> |
| 14 Voluntary reserve | | | |
| Balance at the end of the period/year | | <u>222,536,002</u> | <u>222,536,002</u> |
| In prior years, 10% of the profit was appropriated to a voluntary reserve. This reserve is distributable when approved by a shareholders' resolution based on the recommendation of the Board of Directors in accordance with Article 240 of the UAE Federal Law No. (2) of 2015 and Article 58 of the Entity's Articles of Association. | | | |
| 15 Retained earnings | | | |
| Balance at the beginning of the period/year | | <u>313,141,451</u> | <u>304,446,725</u> |
| Profit for the period/year | | <u>7,532,162</u> | <u>37,051,828</u> |
| Transferred to statutory reserve (note 13) | | <u>-</u> | <u>(3,705,183)</u> |
| Remuneration to the Board of Directors | | <u>-</u> | <u>(3,300,000)</u> |
| Dividends | | <u>-</u> | <u>(21,351,919)</u> |
| Balance at the end of the period/year | | <u>320,673,613</u> | <u>313,141,451</u> |
| 16 Bank borrowings | | | |
| (a) Term loans | | | |
| Balance at the beginning of the period/year | | <u>374,392,126</u> | <u>406,050,214</u> |
| Add: Received during the period/year | | <u>106,059,550</u> | <u>174,621,737</u> |
| Less: Repaid during the period/year | | <u>(105,837,822)</u> | <u>(206,279,825)</u> |
| Balance at the end of the period/year | | <u>374,613,854</u> | <u>374,392,126</u> |

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(In Arab Emirates Dirham)

| | <u>Mar 31, 2018</u> | <u>Dec 31, 2017</u> |
|---------------------------------------|---------------------------|---------------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| 16 Bank borrowings (continued) | | |
| (a) Term loans (continued) | | |
| <i>Comprising:</i> | | |
| Non-current portion | 320,107,512 | 222,214,020 |
| Current portion | 54,506,342 | 152,178,106 |
| | <u>374,613,854</u> | <u>374,392,126</u> |
| <i>Break-up of term loans</i> | | |
| Term loan 1 | - | 98,926,642 |
| Term loan 2 | 705,773 | 783,620 |
| Term loan 3 | 98,240,681 | 101,240,681 |
| Term loan 4 | 6,611,112 | 7,319,445 |
| Term loan 5 | 12,573,609 | 6,441,670 |
| Term loan 6 | 46,875,000 | 50,000,000 |
| Term loan 7 | 209,607,679 | 109,680,068 |
| | <u>374,613,854</u> | <u>374,392,126</u> |

Term loan 1

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

Term loan 2

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

Term loan 3

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

Term loan 4

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

Term loan 5

During 2017, the Entity entered into an islamic financing arrangement (Musharaka) from a bank operating in the United Arab Emirates for AED 30,000,000, of which AED 12,573,609 was drawn down, to finance the upgradation of the raw mill / slag grinding project. Repayment of this loan is in 24 equal quarterly installments of AED 1,250,000 each commencing in September 2018 and ending in May 2024.

Term loan 6

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

Term loan 7

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

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16 Bank borrowings (continued)**(a) Term loans (continued)**

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

| | Mar 31, 2018 | Dec 31, 2017 |
|--|---------------------|--------------|
| | (Unaudited) | (Audited) |

(b) Other bank borrowings

| | | |
|----------------|--------------------|-------------|
| Trust receipts | 194,656,550 | 158,522,452 |
|----------------|--------------------|-------------|

Bank borrowings - non-current portion

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

| | | |
|----------------------------|--------------------|-------------|
| In the second year | 55,771,755 | 53,271,755 |
| In the third to fifth year | 131,987,401 | 127,701,584 |
| After five years | 132,348,356 | 41,240,681 |
| Term loans (refer a) | 320,107,512 | 222,214,020 |

Bank borrowings - current portion

| | | |
|---------------------------------|--------------------|-------------|
| Term loans (refer a) | 54,506,342 | 152,178,106 |
| Other bank borrowings (refer b) | 194,656,550 | 158,522,452 |
| | 249,162,892 | 310,700,558 |

| | | |
|------------------------------|--------------------|-------------|
| Total bank borrowings | 569,270,404 | 532,914,578 |
|------------------------------|--------------------|-------------|

Bank borrowings are secured by:

- i) Commercial mortgage over Thermal Power Plant for AED 232,000,000 (note 3).
- ii) Registered chattel mortgage over the Waste Heat Recovery based captive power plant expansion project (note 3).
- iii) Assignment of insurance policy for AED 412.2 million covering the cement factory on a pari passu basis (note 3).
- iv) Assignment of insurance policy for AED 236.9 million covering the Thermal Power Plant (note 3).
- v) Assignment of insurance policies covering the Waste Heat Recovery based captive power plant expansion project (note 3).
- vi) Assignment of insurance policies covering moveable assets on pari passu basis (note 3).
- vii) Assignment of leasehold rights (between the Entity & Dibba Municipality) over the land on which the Thermal Power Plant is located (note 3).
- viii) Hypothecation of certain vehicles (note 3).
- ix) Assignment of insurance policy over inventories on pari passu basis (note 6).
- x) General assignment of trade receivables in favor of the bank (note 7).
- xi) Registered mortgage and assignment of insurance policy over specific machinery being upgraded (note 3).

| | Mar 31, 2018 | Dec 31, 2017 |
|--|---------------------|--------------|
| | (Unaudited) | (Audited) |

17 Employees' end of service benefits

| | | |
|---|-------------------|-------------|
| Balance at the beginning of the period/year | 16,214,496 | 15,133,269 |
| Add: Charge for the period/year | 1,229,565 | 2,081,377 |
| Less: Paid during the period/year | (470,748) | (1,000,150) |
| Balance at the end of the period/year | 16,973,313 | 16,214,496 |

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(In Arab Emirates Dirham)

| | Mar 31, 2018 | Dec 31, 2017 |
|------------------------------------|------------------------|------------------------|
| | (Unaudited) | (Audited) |
| 18 Trade and other payables | | |
| Trade payable | 87,410,221 | 119,572,343 |
| Retention payable | 1,550,599 | 522,141 |
| Dividends payable | 3,989,679 | 3,999,759 |
| Advances received from customers | 1,202,156 | 1,161,247 |
| Accruals | 20,636,206 | 11,812,330 |
| Interest payable | 3,182,772 | 3,513,016 |
| Other payables | 2,648,996 | 1,715,402 |
| | 120,620,629 | 142,296,238 |
| | Jan 01, 2018 to | Jan 01, 2017 to |
| | Mar 31, 2018 | Mar 31, 2017 |
| | (3 months) | (3 months) |
| | (Unaudited) | (Unaudited) |
| 19 Revenue | | |
| Sales : Within U.A.E. | 85,751,682 | 66,406,290 |
| : Outside U.A.E. : G.C.C. | 77,465,118 | 89,155,355 |
| : Others | - | 104,850 |
| | 163,216,800 | 155,666,495 |

20 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". Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel.

| | Mar 31, 2018 | Dec 31, 2017 |
|---|---------------------|---------------------|
| | (Unaudited) | (Audited) |
| a) Balances due from related parties (included in trade receivables) | 3,001,869 | 1,435,230 |
| b) Balances due to related parties (included in trade and other payables) | 170,730 | 461,505 |

c) Transactions with related parties

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

| | Jan 01, 2018 to | Jan 01, 2017 to |
|---|------------------------|------------------------|
| | Mar 31, 2018 | Mar 31, 2017 |
| | (3 months) | (3 months) |
| | (Unaudited) | (Unaudited) |
| Sales | 2,749,312 | 1,039,800 |
| Construction of property, plant and equipment | 272,000 | - |

Transactions with related parties were entered into on terms agreed with the management.

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| <u>Jan 01, 2018 to</u> | <u>Jan 01, 2017 to</u> |
|------------------------|------------------------|
| <u>Mar 31, 2018</u> | <u>Mar 31, 2017</u> |
| <u>(3 months)</u> | <u>(3 months)</u> |
| <u>(Unaudited)</u> | <u>(Unaudited)</u> |

20 Related party transactions (continued)**d) Key management personnel compensation**

The compensation of key management personnel is as follows:

| | | |
|-----------------------------|------------------|------------------|
| Key management remuneration | <u>1,523,339</u> | <u>1,344,877</u> |
|-----------------------------|------------------|------------------|

Remuneration to the Board of Directors for the year 2017, approved in the annual general meeting held on April 12, 2018 amounts to AED 3,300,000 (for 2016: AED 3,300,000).

21 Seasonality of results

No income of seasonal nature was recorded in the condensed interim statement of profit or loss for the current period.

22 Contingent liabilities

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

23 Commitments

| | <u>Mar 31, 2018</u> | <u>Dec 31, 2017</u> |
|---|---------------------|---------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Commitments for the purchase of property, plant and equipment | <u>13,174,119</u> | <u>21,214,050</u> |

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

24 Comparative amounts

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