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

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

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

126009

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

Opinion

We have audited the financial statements of **Fujairah Cement Industries P.J.S.C ("the Company")**, which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed on the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Inventories

The Company's stock of raw materials, semi-finished products, burning media and finished products as at 31 December 2019 require an independent surveyor's to make estimate of the quantities by using certain systematic measurements/calculations. The areas of focus are whether the quantities reported by the surveyor are as per physical stock held by the Company as at 31 December 2019 and valuation of inventories (including spare parts) at lower of cost or net realizable value as assessing net realizable value is an area of significant judgment.

Independent Auditor's Report to the Shareholders of
Fujairah Cement Industries P.J.S.C (Continued)

Inventories (Continued)

We performed the following audit procedures :

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

Trade receivables

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

We performed the following audit procedures :

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

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

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

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

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

Adoption of IFRS "16 Leases"

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

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

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

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

Independent Auditor's Report to the Shareholders of Fujairah Cement Industries P.J.S.C (Continued)

Adoption of IFRS 16 "Leases" (Continued)

We performed the following audit procedures :

- Obtaining an understanding of the Company's adoption of IFRS 16 and identifying the internal controls including entity level controls adopted by the Company for the accounting, processes and systems under the new accounting standard;
- Assessing and design and implementation of key controls pertaining to the application of IFRS 16;
- Assessing the appropriateness of the discount rates applied in determining lease liabilities;
- Verifying the accuracy of the underlying lease data and other supporting information and checking the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment;
- We considered the completeness of the lease data by testing the reconciliation of the Company's lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease; and
- Assessing the disclosures in the financial statements pertaining to leases, including disclosures relating to transition to IFRS 16, were in compliance with IFRSs.

Other Matter

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

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's Board of Directors Report of 2019, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of
Fujairah Cement Industries P.J.S.C (Continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and applicable provisions of UAE Federal Law No. 2 of 2015 and the Articles of Association of the Company and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

1. We have obtained all the information and explanation we considered necessary for our audit.
2. The financial statements are prepared and comply, in all material respect with the applicable provisions of UAE Federal Law No. 2 of 2015.
3. The Company has maintained proper books of account.
4. The financial information of the Director's report are in agreement with the books of account and records of the Company.
5. Investment in an associate-held for sale disclosed in Note 7.
6. Transactions and terms with related parties are disclosed in Note 10.
7. The Social Contributions made during the year disclosed in Note 26.
8. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019 any of the applicable provisions of UAE Federal Law No. 2 of 2015 or the Articles of Association of the Company which would have a material affect on the Company's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Executive Director
Licensed Auditor No. 34

13 February 2020

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

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

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

Sheikh Mohamed Bin Hamad Saif Al Sharqi
(Chairman)

Board Member

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

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

EXHIBIT C

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

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

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

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

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

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

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

2. NEW AND REVISED STANDARDS ADOPTED

IFRS 16 "Leases"

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

Application of IFRS 16 – "Leases"

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

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

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

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

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

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

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

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

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

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically identified asset. If the supplier has a substantive substitution right, then the asset is not identified.

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use : and

- The Company has the right to direct the use of asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset is either the Company has the right to operate the asset or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

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

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

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

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

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

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

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

2. NEW AND REVISED STANDARDS ADOPTED

Application of IFRS 16 – Leases (Continued)

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

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

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

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

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

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

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

2.1 New and Revised IFRSs in issue but not yet effective

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

- ***Amendments to IFRS 3***

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

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

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

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

3.3 Use of estimates, assumptions and judgment

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

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

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

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

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

Provision relating to contracts

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

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Determining the lease terms

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

Impairment of financial assets

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

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

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

Impairment of non-financial assets

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

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

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

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Useful lives of property, plant and equipment

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

Impairment loss on property, plant and equipment

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

Impairment of inventories

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Property, plant and equipment (Continued)

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

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

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

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

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

Capital work-in-progress

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

4.2 Investment in an associate

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Investment in an associate (Continued)

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in the associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate. When the Company's share of losses of the associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Investment in an associate (Continued)

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

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

4.3 Intangible assets acquired separately

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

4.4 Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and carrying amount of the asset are recognized in the statement of comprehensive income.

4.5 Financial liabilities

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

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

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

4.6 Derecognition of financial liabilities

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

4.7 Derecognition of financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Accounts receivable

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

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

4.9 Cash and cash equivalents

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

4.10 Inventories

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

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

4.11 Accounts payable and accruals

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

4.12 Provisions

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

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