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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2020

INDEX

126009

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

Opinion

We have audited the financial statements of **Fujairah Cement Industries P.J.S.C ("the Company")**, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 verification of Company's stock of raw materials, semi-finished products, burning media and finished products as at 31 December 2020 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 2020 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 of AED. 174,559,787 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.

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;
- Assessing the disclosures in the financial statements pertaining to leases were in compliance with IFRSs.

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 2020, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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.

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

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. Gain-in-sale of investment in an associate disclosed in Note 25.
6. Transactions and terms with related parties are disclosed in Note 8.
7. The Social Contributions made during the year are disclosed in Note 24.
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 2020 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
Licensed Auditor No. 34

11 February 2021

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

EXHIBIT A

	Note	2020 AED	2019 AED
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,161,988,323	1,189,288,091
Right -of -use assets	6	113,425,153	122,914,188
Total Non-Current Assets		1,275,413,476	1,312,202,279
Current Assets			
Inventories	7	282,575,476	398,594,223
Trade receivables	9	174,559,787	218,409,772
Advances and other receivables	10	5,936,864	6,645,037
Cash and cash equivalents	11	1,256,558	40,953,785
Total Current Assets		464,328,685	664,602,817
TOTAL ASSETS		1,739,742,161	1,976,805,096
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	355,865,320	355,865,320
Statutory reserve	13	161,750,412	161,750,412
Voluntary reserve	14	222,536,002	222,536,002
Retained earnings		159,061,830	289,562,667
Total Shareholders' Equity – Exhibit C		899,213,564	1,029,714,401
Non-Current Liabilities			
Employees' end of service benefits	16	14,341,137	14,220,332
Lease liabilities	17	116,515,197	123,150,102
Bank borrowings	18	246,683,750	312,850,828
Total Non-Current Liabilities		377,540,084	450,221,262
Current Liabilities			
Trade and other payables	19	142,539,060	111,327,087
Lease liabilities	17	21,888,555	10,835,918
Bank borrowings	18	298,560,898	374,706,428
Total Current Liabilities		462,988,513	496,869,433
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,739,742,161	1,976,805,096

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

These financial statements were approved for issue by the Board of Directors on 11 February 2021 and sign by :

Sheikh Mohamed Bin Hamad Saif Al Sharqi
(Chairman)

Board Member

	Note	2020 AED	2019 AED
Revenue	22	**557,906,925**	512,205,704
Cost of sales		**(526,509,508)**	(397,126,102)
Gross profit		**31,397,417**	115,079,602
Selling and distribution expenses	23	**(80,895,768)**	(67,512,977)
Administrative expenses	24	**(12,042,834)**	(15,247,435)
Provision for impairment of trade receivables		**(24,558,484)**	(81,370)
Write-down of inventories to net realizable value	7(c)	**(13,249,306)**	--
Gain-in-sale of investment in an associate	25	**--**	8,990,364
Other income	26	**1,887,310**	4,794,288
Finance cost – bank borrowings		**(28,621,440)**	(32,693,215)
Finance cost – lease liabilities		**(4,417,732)**	(4,593,406)
(Loss)/profit for the Year - Exhibit D		**(130,500,837)**	8,735,851
Other comprehensive income		**--**	--
Total comprehensive (loss)/income for the year - Exhibit C		**(130,500,837)**	8,735,851
Basic (loss)/earnings per share	27	**(0.367)**	0.024

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 2020

EXHIBIT C

	Share Capital AED	Statutory reserves AED	Voluntary reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2019	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**
Total comprehensive loss for the year ended 31 December 2020 - Exhibit B	--	--	--	**(130,500,837)**	**(130,500,837)**
Balance at 31 December 2020 - Exhibit A	**355,865,320**	**161,750,412**	**222,536,002**	**159,061,830**	**899,213,564**

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 2020

EXHIBIT D

	2020 AED	2019 AED
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit for the year - Exhibit B	(130,500,837)	8,735,851
Adjustments for:		
Depreciation	53,667,797	52,253,507
Amortization of right-of-use assets	9,489,035	9,489,034
Gain on disposal of property, plant and equipment	(62,947)	(50,844)
Employees end of service benefits	1,150,049	1,893,863
Provision for impairment of trade receivables	24,558,484	81,370
Gain on sale of investment in associate	--	(8,990,364)
Reversal of excess of provision for employees end of service benefits	--	(1,625,594)
Write-down of inventories to net realizable value	13,249,306	--
Finance cost – lease liabilities	4,417,732	4,593,406
Finance cost – bank borrowings	28,621,440	32,693,215
Operating cash flows before changes in operating assets and liabilities	4,590,059	99,073,444
Decrease/(increase) in inventories	102,769,441	(59,234,535)
Decrease/(increase) in trade receivables	19,291,501	(23,885,200)
Decrease/(increase) in advances and other receivables	708,173	(441,261)
Increase/(decrease) in trade and other payables	32,338,725	(24,441,076)
Settlements of employees end of service benefits	(1,029,244)	(2,025,864)
Net Cash Provided by/(Used in) Operating Activities	158,668,655	(10,954,492)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment	(26,368,082)	(21,463,057)
Proceeds from disposal of property, plant and equipment	63,000	54,627
Proceeds from sale of investment in an associate	--	22,525,546
Net Cash (Used in)/Provided by Investing Activities	(26,305,082)	1,117,116
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	--	(10,623,450)
Proceeds from term loans	40,000,000	101,752,488
Repayments of term loans	(76,282,204)	(60,801,454)
Proceeds from other bank borrowings, net	(106,030,404)	55,569,586
Finance cost paid on bank borrowings	(29,748,192)	(32,924,991)
Dividends paid	--	(17,793,266)
Remuneration to the board of directors	--	(1,222,650)
Net Cash Used in Financing Activities	(172,060,800)	33,956,263
Net (decrease)/increase in cash and cash equivalents	(39,697,227)	24,118,887
Cash and cash equivalents at beginning of year	40,953,785	16,834,898
Cash and cash equivalents at end of year - Note 11	1,256,558	40,953,785

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. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of financial statements are consistent with those applied by the Company in the interpretation of the financial statements for the year ended 31 December 2019 except for the adoption of the following new standards, interpretation and amendments.

2.1 Standards and Interpretations Issued and in Effect :

Standard or Interpretation No.	Description	Effective Date
Definition of materiality (Amendments to IAS (1) and IAS (8))	The amendments provide clarifications for the definition of materiality, where the information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements, which provide financial information about a specific financial reporting entity. The amendments clarify that materiality depends on the nature of the information, its magnitude or both. Information error is a significant matter if it is reasonably expected to influence the decisions made by the primary users.	1 January 2020
Definition of a Business (Amendments to IFRS 3)	The amendments clarify that a business is considered a business if it includes at a minimum, an input and a substantive process that together significantly contribute to the ability of creating outputs, and it also clarifies that a business can exist without including all of the inputs and processes needed to create outputs.	1 January 2020

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.1 Standards and Interpretations Issued and in Effect : (Continued)

Standard or Interpretation No.	Description	Effective Date
Conceptual framework Financial Report (Revised)	The conceptual framework includes definitions on which all the requirements of IFRS are based (definition of asset, liability, income, expense, objectives of general purpose financial statements..) The revised framework improves these definitions.	1 January 2020
Interest Rate Benchmark Reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	These amendments provide some exemptions related to the standard reform of the interbank offered interest reference rate. The exemptions relate to hedge accounting. The reformulations relate of the interbank interest reference rate should not generally cause the discontinuance of hedge accounting.	1 January 2020
Covid 19 – Related Rent Concessions (Amendment to IFRS 16)	IFRS 16 has been amended to address rental concessions for lessees resulting from the COVID – 19 epidemic, which meet the following characteristics : a. Change in lease payments leads to an amendment in the lease contract that is substantially the same or less than the lease consideration immediately preceding the change. b. The reduction is the rent payments so that it only affects the payment due on or before 30 June 2021. c. There is no material change in the other terms and conditions of the lease.	1 June 2020

These amendments had no significant impact on the financial statements of the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet Effective

The Company has not early adopted any of new standard, interpretation and amendments has been issued but is not yet effective.

- **Standards and Interpretations Issued but Not Yet Effective :**

Standard or Interpretation No.	Description	Effective Date
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39))	The amendments provide temporary exemptions that address the effects of financial reporting when an Interbank Offered Rate (IBOR) is exchanged for a Risk-Free Alternative Interest Rate (RFR). Amendments include a practical expedient requiring contractual changes or changes in cash flows, which is necessary as a direct consequence on interest rate benchmark reform, to be dealt with as variables in the variable interest rate, equivalent to the movement in the interest rate in the market. Allowing the use of this practical expedient is provided with the condition that the transfer from IBOR to (RFR) takes place on an economically equivalent basis without the occurrence of value transfer.	1 January 2021 or after
Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41))	*IFRS 1 Amendments, First-time Adoption of International Financial Reporting Standards* An extension of the optional exemption that allows the subsidiary which becomes an adopter of the IFRS for the first time after the parent company to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition of IFRS Standards. Similar election is available for the associate and joint venture.	1 January 2022 or after

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet (Continued)

- **Standards and Interpretations Issued but Not Yet Effective (Continued)**

Standard or Interpretation No.	Description	Effective Date
Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41))	*IFRS 9 Amendments, Financial Instruments* The amendments clarify the fees an entity includes when it applies the '10 percent' in assessing whether to derecognize a financial liability. *IFRS 16 Amendments, Leases* The amendment to illustrative example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements. *IAS 41 Amendments, Agriculture* The amendment removes the requirement in paragraph 22 of IAS 41 for the entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	
IFRS 3 Amendments, Business Combinations – reference to the Conceptual Framework	The amendments aim to update the reference to the conceptual framework without changing the accounting requirements of IFRS 3 Business Combinations.	1 January 2022 or after
IAS 16 Amendments, Property, plant and equipment – proceeds before intended use	Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	1 January 2022 or after
IAS 37 Amendments, Provisions, Contingent Assets and Liabilities – Onerous Contracts – Cost of Fulfilling a Contract	Amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract will produce a loss.	1 January 2022 or after

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet (Continued)

- **Standards and Interpretations Issued but Not Yet Effective (Continued)**

Standard or Interpretation No.	Description	Effective Date
IAS 1 Amendments, Presentation of Financial Statements	• Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. • Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. • Explain that rights are in existence if covenants are complied with at the end of the reporting period. • Introduce a definition of "settlement" to make clear that settlements refers to the transfer to the counterparty of cash, equity instruments, other assets or services. • Are applied retrospectively.	1 January 2022 or after
IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Association or Joint Venture	The amendments address an acknowledge inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date

- The management anticipates that no significant impact on the financial statements when will be adopted of these standards in future periods.

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. BASIS OF PREPARATION (CONTINUED)

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.

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).

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Impairment of financial assets

The Company recognizes expected credit loss for trade receivables, due from related parties, finance lease receivable and cash and cash equivalents 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.

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.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

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.

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

	Estimated useful lives
	Years
Factory 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 cost	6 to 20

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Property, plant and equipment (Continued)

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 Leases

The entity evaluates at the beginning of the lease agreement whether the contract is a lease agreement or includes a rental arrangement. If the contract is wholly or partially transferring the right to control the use of a specific asset from one party to another for a specific period of time in exchange for a specific compensation or allowance, then the entity recognizes the right to use the assets and lease obligations with the exception of short-term leases of one year or less and the leases for leased assets with low value. For these leases, the entity recognizes lease payments as an operating expense on a straight line basis over the term of the lease, unless another systematic basis further presents the period of time in which the economic benefits from the leased assets are amortized.

Lease obligations

Lease obligations are recognized and measured initially at the present value of lease payments that have not been paid on the commencement date of the lease contract, and those payments are discounted using the interest rate implicit in the contract, and if it is not known, then the entity uses the incremental borrowing interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Leases (Continued)

Lease obligations

Unpaid lease payments include:

- Fixed lease payments less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, measured initially using the index or rate at the start date of the lease.
- The amount the lessee is expected to pay the lessor when there is a residual value guaranteed in the lease agreement.
- The price of exercising buying options, if the lessee is reasonably certain of exercising the options.
- Termination fines, if the lease reflects the exercise of the option to terminate the lease.

The lease liability is presented as a separate component of the entity's statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease obligation and by reducing the carrying amount to reflect the lease payments paid.

An entity re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a significant event or change in circumstances that lead to a change in the evaluation of the purchase option exercise, in which case the lease liability is re-measured by discounting the revised lease payments using the revised discount rate.

- Rental payments change due to changes in an index or rate or change in expected payments under a guaranteed residual value, in which cases the rental liabilities are re-measured by discounting the adjusted rental payments using an unchanged discount rate (unless the rental payments change due to the change in the floating interest rate. In this case, the adjusted discount rate is used.)

- The lease is amended and the lease amendment is not counted as a separate lease contract, in which case the lease liabilities are re-measured based on the modified lease term by discounting the modified lease payments using the modified discount rate at the date of modification.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Leases (Continued)

Right-of-use assets

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the inception day, minus any lease incentives received and any initial direct costs subsequently measured minus accumulated depreciation and impairment losses.

When the entity incurs a commitment to the costs of dismantling and removing a leased asset, restoring the site on which it is located, or restoring the asset to the required condition under the terms of the lease contract, the provision is recognized and measured in accordance with IAS (37) and to the extent that the costs relate to the right-of-use assets, the costs are included in related right-of-use assets, unless these costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the contract term or the useful life of the specified asset.

If the lease contract transfers ownership of the underlying asset or right-of-use cost reflects that the entity expects to exercise the purchase option, then the related use value is depreciated over the useful life of the underlying asset. Depreciation starts on the date of commencement of the lease agreement.

Right-to-use assets are presented as a separate component in the statement of financial position.

The entity applies IAS (36) to determine whether the right to use value has decreased and calculates any impairment loss identified as described in the "property, plant and equipment" policy.

As a practical expedient, IFRS 16 allows a lessee not to separate the non-leased components, and instead any lease contract and associated non-lease components are counted as a single arrangement. The entity did not use this practical expedient. For contracts that contain a leasing component and one or more leasing or non-leasing components, the entity allocates consideration in the contract to each leasing component based on the independent relative price of the leasing component and the total sum of the single price of the non-leasing components.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 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.

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)

4.3 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.

4.4 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.

4.5 Derecognition of financial liabilities

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

4.6 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.

4.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Cash and cash equivalents

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

4.9 Inventories

Inventories are valued at the lower of weighted average cost or net realizable value cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditures based on the normal operating capacity but excluding borrowing costs.

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

4.10 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.

4.11 Provisions

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

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

4.12 Employees' end of service benefits

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

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

4.13 Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Borrowing costs (Continued)

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

4.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Contract revenue

The Company recognize revenue from contracts with customers based on the five step model set out in IFRS 15.

- *Identify the contract(s) with a customer*

  A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations, and are committed to perform criteria are met.

- *Identify the performance obligations in the contract*

  A performance obligation is a promise in a contract with a customer to transfer a good or service to customer.

- *Determine the transaction price*

  The transaction price represent the amount of consideration to which the Company expects to be entitled in exchange for transferring good or service to a customer.

- *Allocate the transaction price to performance obligation*

  For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation based on stand alone selling prices for each good or service.

- *Recognize revenue when (or as) the entity satisfies a performance obligation*

  The Company satisfies a performance obligation and recognize revenue over time if one of the following criteria is met :

  i) The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs or ;
  ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or ;

  iii) The Company performance does not create as asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligation, where none of the condition are met, revenue is recognized at the point in time at which the performance is satisfied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Revenue recognition (Continued)

Contract revenue (Continued)

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

4.15 Foreign currencies

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

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

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

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

4.16 Contingent liabilities

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

5. PROPERTY, PLANT AND EQUIPMENT

a) The details of this item are as follows :

	Land AED	Factory buildings AED	Plant And Machinery AED	Furniture and Fixtures AED	Vehicles and mobile Plant AED	Tools And Equipment AED	Quarry Development Cost AED	Capital Work In Progress AED	Total AED
Cost :									
At 1 January 2019	--	158,770,312	1,987,480,310	3,431,329	27,439,477	12,949,772	30,918,672	1,901,834	2,222,891,706
Additions during the year	--	41,800	17,037,732	99,937	1,815,413	162,665	380,453	1,925,057	21,463,057
Disposals during the year	--	--	--	--	(347,400)	--	--	--	(347,400)
Transfers	--	--	1,256,548	--	--	--	650,000	(1,906,548)	--
Balance at 31 December 2019	--	**158,812,112**	**2,005,774,590**	**3,531,266**	**28,907,490**	**13,112,437**	**31,949,125**	**1,920,343**	**2,244,007,363**
Additions during the year	--	147,800	17,913,034	235,478	2,358,200	68,970	--	5,644,600	26,368,082
Disposals during the year	--	--	--	--	(4,232,958)	--	--	--	(4,232,958)
Transfers	250,000	1,039,524	474,833	--	--	--	--	(1,764,357)	--
Balance at 31 December 2020	**250,000**	**159,999,436**	**2,024,162,457**	**3,766,744**	**27,032,732**	**13,181,407**	**31,949,125**	**5,800,586**	**2,266,142,487**
Accumulated Depreciation :									
At 1 January 2019	--	39,594,671	899,315,644	2,949,339	25,286,040	12,518,021	23,145,667	--	1,002,809,382
Addition during the year	--	4,782,817	45,174,736	228,103	982,861	257,616	827,374	--	52,253,507
Disposals during the year	--	--	--	--	(343,617)	--	--	--	(343,617)
Balance at 31 December 2019	--	**44,377,488**	**944,490,380**	**3,177,442**	**25,925,284**	**12,775,637**	**23,973,041**	--	**1,054,719,272**
Additions during the year	--	4,849,565	46,139,380	210,807	1,348,487	193,477	926,081	--	53,667,797
Disposals during the year	--	--	--	--	(4,232,905)	--	--	--	(4,232,905)
Balance at 31 December 2020	--	**49,227,053**	**990,629,760**	**3,388,249**	**23,040,866**	**12,969,114**	**24,899,122**	--	**1,104,154,164**
Net Book Value :									
At 31 December 2020 - Exhibit A	**250,000**	**110,772,383**	**1,033,532,697**	**378,495**	**3,991,866**	**212,293**	**7,050,003**	**5,800,586**	**1,161,988,323**
At 31 December 2019 - Exhibit A	--	114,434,624	1,061,284,210	353,824	2,982,206	336,800	7,976,084	1,920,343	1,189,288,091

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

c) Registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project and an assignment of insurance policy covering the project in favour of the bank against a term loan (Note 18).

d) Insurance policy covering movable assets is assigned in favor of a bank against a term loan (Note 18).

e) Commercial mortgage over thermal power plant assignment of insurance policies covering the cement factory and thermal power plant and assignment of leasehold rights over the land on which the thermal power plant is located are provided as securities against term loans and bank borrowings (Note 18).

f) Depreciation is fully charged to cost of sales.

g) Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period , amounted to AED. 351,845,031 (31.12.2019 : AED. 354,131,109).

h) There is a registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 18).

6. RIGHT-OF-USE ASSETS

The movement of the right-of-use assets is summarized as follows :

	2020 AED	2019 AED
Cost :		
At 1 January	132,403,222	132,403,222
Balance at 31 December	**132,403,222**	**132,403,222**
Accumulated Depreciation :		
Balance at 1 January	9,489,034	--
Charged for the year	9,489,035	9,489,034
Balance at 31 December	**18,978,069**	**9,489,034**
Net book Value – Exhibit A	**113,425,153**	**122,914,188**

7. INVENTORIES

a) This item consists of the following :

	2020 AED	2019 AED
Raw Materials	**20,126,092**	11,841,898
Semi-finished products	**48,811,461**	180,413,316
Finished products	**2,553,490**	2,399,306
Total	**71,491,043**	194,654,520
Spare parts	**127,927,731**	149,499,194
Allowance for slow-moving spare parts – Note 7(b)	**(20,702,113)**	(24,000,000)
Net	**107,225,618**	125,499,194
Burning media	**81,117,905**	76,658,683
Bags and packing material	**693,553**	727,877
Total	**81,811,458**	77,386,560
Goods-in-transit	**22,047,357**	1,053,949
Total – Exhibit A	**282,575,476**	398,594,223

Insurance policy is assigned against bank borrowings.

b) Movement in allowance to slow-moving spare parts are as follows :

	2020 AED	2019 AED
Balance at the beginning of the year	**24,000,000**	24,000,000
Obsolete stores written off	**(3,297,887)**	--
Net Amount – Note 7(a)	**20,702,113**	24,000,000

c) Inventories have been reduced by AED. 13,249,306 (2019 : AED. NIL) as a result of the write-down to net realizable value. This write-down was recognized as expenses (Exhibit B).

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	2020 AED	2019 AED
• Balances due from related parties (included in trade receivables)	**1,849,546**	1,354,823
• Balances due to related parties (included in trade and other payables)	**29,797**	951,716

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

	2020 AED	2019 AED
Sales	**4,001,578**	3,381,906
Purchases/service contracts	**1,097,851**	972,758
Construction of property, plant and equipment	**795,100**	1,700,025

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

	2020 AED	2019 AED
Key management remuneration	**3,730,647**	4,443,543
Remuneration to the Board of Directors	--	1,222,650

Remuneration to the Board of Directors for the year 2019, approved in the Annual General Meeting held on 18 June 2020 amounts to AED. Nil (AED. 1,222,650 approved in the Annual General Meeting held on 25 April 2019 for the year 2018).

9. TRADE RECEIVABLES

a) This item consists of the following :

	2020 AED	2019 AED
Trade receivables	**201,111,959**	220,414,428
Provision for impairment of trade receivables - Note 9(c)	**(26,552,172)**	(2,004,656)
Net amount – Exhibit A	**174,559,787**	218,409,772
Coverage :		
Trade receivables against BG & L/C's	**99,896,730**	115,699,168
Trade receivables	**101,215,229**	104,715,260
Total	**201,111,959**	220,414,428

9. TRADE RECEIVABLES (CONTINUED)

b) Trade receivables include :

- AED. 45.9 Million (2019 : AED. 64.3 Million) due from Company's largest customer and is fully secured.
- 5 customers (2019 : AED. 5 customers) representing 65% (2019 : 74%) of the trade receivables.
- AED. 63.4 Million (2019 : AED. 75.2 Million) which is past due of this AED. 10.4 Million (2019 : AED. 28.6 Million) is secured.
- Trade receivables are assigned against bank borrowings (Note 18).

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

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

The average credit period for the trade receivables is 133 days (2019 : 158 days). No interest is charged on trade receivables in the normal course of business.

c) Movement in provision for impairment of trade receivables :

	2020 AED	2019 AED
Balance at the beginning of the year	**2,004,656**	1,926,453
Additions during the year	**24,558,484**	81,370
Written off	**(10,968)**	(3,167)
Net Amount – Note 9(a)	**26,552,172**	2,004,656

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

Geographical Analysis

The geographical analysis of trade receivables is as follows :

	2020 AED	2019 AED
Within U.A.E	**117,321,629**	136,719,937
Outside U.A.E	**83,790,330**	83,694,491
	201,111,959	220,414,428

10. ADVANCES AND OTHER RECEIVABLES

This item consists of the following :

	2020 AED	2019 AED
Prepayments	**636,379**	595,843
Advances to suppliers	**3,558,153**	5,056,134
Other receivables	**1,742,332**	993,060
Total - Exhibit A	**5,936,864**	6,645,037

11. CASH AND CASH EQUIVALENTS

This item consists of the following :

	2020 AED	2019 AED
Cash in hand	**153,463**	155,838
Bank balances - Current accounts	**1,103,095**	40,797,947
Total – Exhibit A & D	**1,256,558**	40,953,785

12. SHARE CAPITAL

This item consists of the following :

	2020 AED	2019 AED
Authorized share capital is AED. 355,865,320 ordinary share of AED. 1 each fully paid – Exhibit A	**355,865,320**	355,865,320

13. STATUTORY RESERVE

This item consists of the following :

	2020 AED	2019 AED
Balance at the beginning of the year	**161,750,412**	160,876,827
Add: Transferred from profit for the year	**--**	873,585
Balance at the end of the year - Exhibit C	**161,750,412**	161,750,412

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

14. VOLUNTARY RESERVE

This item consists of the following :

	2020 AED	2019 AED
Balance at the end of the year - **Exhibit C**	**222,536,002**	222,536,002

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

15. APPROPRIATION OF PROFITS

- The Shareholders in their Ordinary General Meeting held on 18 June 2020 approved no cash dividends or bonus shares and no remuneration for the Board of Directors for the year ended 31 December 2019.

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

16. EMPLOYEES END OF SERVICE BENEFITS

This item consists of the following :

	2020 AED	2019 AED
Balance at the beginning of the year	**14,220,332**	15,977,927
Charge for the year	**1,150,049**	1,893,863
Paid during the year	**(1,029,244)**	(2,025,864)
Reversal of excess provision	--	(1,625,594)
Balance at the end of the year - Exhibit A	**14,341,137**	14,220,332

17. LEASE LIABILITIES

This item consists of the following :

	2020 AED	2019 AED
Balance at the beginning of the year	**133,986,020**	140,016,064
Finance cost on lease liabilities for the year	**4,417,732**	4,593,406
Payment during the year	--	(10,623,450)
Balance at the end of the year	**138,403,752**	133,986,020
Non-Current -Exhibit A	**116,515,197**	123,150,102
Current -Exhibit A	**21,888,555**	10,835,918
Total	138,403,752	133,986,020

18. BANK BORROWINGS

a) BANK-TERM BORROWING

i) This item consists of the following :

	2020 AED	2019 AED
Balance at the beginning of the year	**379,133,032**	338,181,998
Add: Received during the year	**40,000,000**	101,752,488
Less: Repaid during the year	**(76,282,204)**	(60,801,454)
Balance at the end of the year	**342,850,828**	379,133,032
Non-Current portion – Note 18(c)(i)	**246,683,750**	312,850,828
Current portion – Note 18(c)(ii)	**96,167,078**	66,282,204
Total– Note 18(a)(ii)	**342,850,828**	379,133,032

ii) Break-up of term loans are as follows :

Loan	Maturity date	2020 AED	2019 AED
Term loan 1	December 2020	--	124,724
Term loan 2	July 2023	**65,240,681**	77,240,681
Term loan 3	July 2020	--	1,652,781
Term loan 4	August 2026	**17,202,468**	19,407,168
Term loan 5	December 2021	**12,500,000**	25,000,000
Term loan 6	November 2024	**124,907,679**	155,707,678
Term loan 7	December 2026	**93,000,000**	100,000,000
Term loan 8	September 2021	**30,000,000**	--
Total – Note 18(a)(i)		**342,850,828**	379,133,032

18. **BANK BORROWINGS (CONTINUED)**

Term loan 1

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

Term loan 2

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

Term loan 3

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

Term loan 4

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

Term loan 5

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

18. BANK BORROWINGS (CONTINUED)

Term loan 6

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

Term loan 7

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

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

Term loan 8

During 2020, the Company was sanctioned and entered into a loan agreement from a bank operating in the United Arab Emirates for an amount of AED. 40,000,000 to settle the existing revolving loan with the same bank. The loan is repayable in 12 monthly installments, commencing in October 2020 and ending in September 2021.

b) **Other bank borrowings**

This item consists of the following :

	2020 AED	2019 AED
Trust receipts	**125,669,135**	140,424,224
Short terms loans	**50,000,000**	168,000,000
Overdrafts	**26,724,685**	--
Total - Note 18(c)(ii)	**202,393,820**	308,424,224

c) Details of bank borrowings are as follows :

i) Non-current portion

This item consists of the following :

	2020 AED	2019 AED
In the second year	**55,667,078**	66,167,078
In the third to fifth year	**169,399,594**	203,449,594
After five year	**21,617,078**	43,234,156
Total – Exhibit A	**246,683,750**	312,850,828

18. BANK BORROWINGS (CONTINUED)

ii) Current portion

	2020 AED	2019 AED
Term loans - Note 18(a)(i)	**96,167,078**	66,282,204
Other bank borrowings – Note 18(b)	**202,393,820**	308,424,224
Total – Exhibit A	**298,560,898**	374,706,428
Total Bank borrowings	545,244,648	687,557,256

iii) Bank borrowings are secured by:

- Registered charge over Thermal Power Plant (including machinery).
- Registered chattel mortgage (to be executed) over the Waste Heat Recovery based captive power plant expansion project
- Assignment of insurance policy for AED. 437.4 million covering factory on a pari passu basis.
- Assignment of insurance policy for AED. 236.9 million covering the Thermal Power Plant on a pari passu basis.
- Assignment of insurance policy for AED. 124.4 million covering the Waste Heat Recovery based captive power plant expansion project.
- Assignment of insurance policies covering moveable assets on pari passu basis .
- Assignment of leasehold rights (between the Company & Dibba Municipality) over the land on which the Thermal Power Plant is located.
- Assignment of insurance policy over inventories on pari passu basis.
- General assignments of trade receivables in favor of the bank.
- Registered mortgage and assignment of insurance policy over specific machinery upgraded.
- Promissory note.

19. TRADE AND OTHER PAYABLES

This items consists of the following :

	2020 AED	2019 AED
Trade payables	**117,074,736**	89,967,643
Retentions payable	--	79,000
Dividends payable	**3,972,703**	3,971,953
Advanced received from customers	**2,110,375**	2,911,596
Accrued expenses	**16,598,895**	10,008,986
Accrued interest payables	**2,442,192**	3,568,944
Others	**340,159**	818,965
Total – Exhibit A	**142,539,060**	111,327,087

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, trade receivable and others. Financial liabilities consist of trade and other payables, bank borrowings and lease liabilities.

The fair values of financial assets and financial liabilities are not materially different from their carrying values as at 31 December 2020.

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

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

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

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

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

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

21. RISK MANAGEMENT

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

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

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

21.1 Capital risk management

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

21. RISK MANAGEMENT (CONTINUED)

21.2 Market risk

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

i) Foreign currency risk

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

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

ii) Interest rate risk

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

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2020 are as follows :

	Effective interest rate	
	2020	2019
Bank loans	**3 months + 2.5% to 3% p.a + 3.4% to 3.7% p.a swap 3 months + 2.25% to 2.5% p.a + EIBOR 1 months + 2.3% p.a + EIBOR**	3 months + 2.5% to 3% p.a + 3.4% to 3.7% swap 3 months + 2.25% to 2.5% p.a + EIBOR
Short-term loans	**1 month EIBOR + 1.75% p.a**	1 month EIBOR + 1.75% p.a

21.3 Credit risk

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

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

21. RISK MANAGEMENT (CONTINUED)

21.3 Credit risk (Continued)

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

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

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

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

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

	2020		2019	
	Gross AED	Impairment AED	Gross AED	Impairment AED
Neither past due nor impaired	137,758,030	(3,664,755)	145,220,122	(604,760)
Past due 0-180 days	12,166,447	(462,063)	71,757,855	(1,109,993)
Past due 180-360 days	12,206,127	(4,588,271)	3,213,923	(226,208)
Past due 360 and above	38,981,355	(17,837,083)	222,528	(63,695)
	201,111,959	(26,552,172)	220,414,428	(2,004,656)

21.4 Liquidity risk

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

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

21. RISK MANAGEMENT (CONTINUED)

21.3 Credit risk (Continued)

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

As at 31 December 2020 :

	Less than three months AED	From 3 months to one year AED	1 year and above AED	Above 5 years AED	Total AED
Financial Assets					
Cash and cash equivalents	1,256,558	--	--	--	1,256,558
Trade receivables	105,459,301	69,100,486	--	--	174,559,787
Deposits and other receivable	--	1,742,332	--	--	1,742,332
Total	106,715,859	70,842,818	--	--	177,558,677
Financial Liabilities					
Bank borrowings	144,660,139	153,900,759	225,066,672	21,617,078	545,244,648
Trade payables and others	--	140,428,685	--	--	140,428,685
Lease liabilities	--	21,888,555	116,515,197	--	138,403,752
Total	144,660,139	316,217,999	341,581,869	21,617,078	824,077,085

As at 31 December 2019 :

	Less than three months AED	From 3 months to one year AED	1 year and above AED	Above 5 years AED	Total AED
Financial Assets					
Cash and cash equivalents	40,953,785	--	--	--	40,953,785
Trade receivables	115,426,061	102,983,711	--	--	218,409,772
Deposits and other receivable	--	993,060	--	--	993,060
Total	156,379,846	103,976,771	--	--	260,356,617
Financial Liabilities					
Bank borrowings	146,501,320	228,205,108	269,616,672	43,234,156	687,557,256
Trade payables and others	--	108,415,491	--	--	108,415,491
Lease liabilities	--	10,835,918	123,150,102	--	133,986,020
Total	146,501,320	347,456,517	392,766,774	43,234,156	929,958,767

22. REVENUE

This items consists of the following :

	2020 AED	2019 AED
Sales :		
Within UAE	199,223,336	244,697,813
Outside UAE-GCC	156,762,934	251,627,803
Other countries	201,920,655	15,880,088
Total – Exhibit B	**557,906,925**	512,205,704

23. SELLING AND DISTRIBUTION EXPENSES

This item consists of the following :

	2020 AED	2019 AED
Transportation expenses	**47,074,382**	53,069,381
Salaries and related benefits	**1,591,690**	1,843,369
Export expenses	**31,344,576**	10,987,210
Vehicle expenses	**12,791**	17,010
Business promotion	**18,120**	21,020
Toll fees and charges	**497,948**	1,153,559
Others	**356,261**	421,428
Total – Exhibit B	**80,895,768**	67,512,977

24. ADMINISTRATIVE EXPENSES

a) This item consists of the following :

	2020 AED	2019 AED
Salaries and related benefits	**5,897,666**	8,811,345
Insurance	**441,516**	431,056
Legal, Visa, Professional and related expenses	**1,604,846**	1,358,682
Social contributions	**1,009,727**	1,127,250
Rent	**661,239**	723,813
Utilities	**275,609**	295,498
Telephone and communication	**382,542**	418,732
Travelling and entertainment	**40,662**	188,961
Repairs and maintenance	**179,434**	227,586
Medical expenses	**1,234,266**	1,177,271
Others	**315,327**	487,241
Total – Exhibit B	**12,042,834**	15,247,435

b) Social contributions mentioned above compromise AED. 1,000,000 (2019 : AED. 1,000,000) paid to Fujairah Foundation for regions development and AED. 9,727 (2019 : AED. 127,250) to the recognized institutions.

25. GAIN-ON-SALE OF INVESTMENT IN AN ASSOCIATE

a) During the year 2019, the Company sold its investment in the associate and realized gain on sale of investment in an associate of AED. 8,990,364 (Exhibit B).

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

26. OTHER INCOME

This items consists of the following :

	2020 AED	2019 AED
Reversal excess provision for employees end of service benefits written back	--	1,625,594
Sale of scrap	**441,883**	114,175
Gain on disposal of property, plant and equipment	**62,947**	50,844
Accounts payable written off	**1,262**	1,269,000
Miscellaneous income	**1,381,218**	1,734,675
Total – Exhibit B	**1,887,310**	4,794,288

27. BASIC (LOSS)/EARNINGS PER SHARE

a) This items consists of the following :

	2020	2019
Loss/profit for the year (AED)	**(130,500,837)**	8,735,851
Number of shares (Share)	**355,865,320**	355,865,320
Basic (loss)/earnings per share (AED. per share) – Exhibit B	**(0.367)**	0.024

b) Basic (loss)/earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

28. CONTINGENT LIABILITIES AND COMMITMENTS

i) Contingent liabilities

Contingent liabilities of the Company as at the statement of financial position date amounted to AED. 1,072,550 (2019: AED. 1,940,304) representing letters of credit.

ii) Commitments

	2020 AED	2019 AED
Commitments for the purchase of property, plant and equipment	**17,189,396**	1,059,362

29. COMPARATIVE FIGURES

Certain comparatives figures have been reclassified/regrouped to make them comparable to those of current year.