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

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

INDEX

126009

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Fujairah Cement Industries P.J.S.C** (the "**Company**") and its subsidiary (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 Group's consolidated financial statements in the United Arab Emirates 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 consolidated financial statements of the current period. These matters were addressed on the context of our audit of the consolidated 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.

Valuation of property, plant and equipment

The Group's property, plant and equipment included plant and machinery which are disclosed in Note (5) in these consolidated financial statements, with carrying value of AED. 994,388,125 representing 85% of total property, plant and equipment and 60% of total assets. The Group's management has hired an external valuer to estimate the recoverable amount based on fair value less cost of disposal and the management has concluded that the fair value of plant and machinery is higher than its carrying value so that no impairment provision was required for the year ended 31 December 2021. Also the Group's management conducted a valuation of the land which was carried out by the Dibba Municipality – Government of Fujairah of AED. 34,997,500 which is disclosed in Note (5). Based on the valuation, the management decided to recognize the valuation and record the difference between the carrying value and the valuation within equity under revaluation reserve amounting to AED. 34,747,500.

Valuation of property, plant and equipment (Continued)

We performed the following audit procedures :

- Evaluating the objectivity, independence and expertise of the external valuation expert appointed by the management in valuation of plant and machinery.
- Evaluating the appropriateness of the underlying assumptions and the methodology used by the valuer and market practice.
- Assessing the adequacy and completeness of the disclosures presented in these consolidated financial statements.

Inventories

The verification of Group's stock of raw materials, semi-finished products, burning media and finished products as at 31 December 2021 representing 17% of total assets and require an independent surveyor 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 Group as at 31 December 2021 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.

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 and assumptions considered regarding obsolescence and net realizable value.

Trade receivables

The Group is having significant trade receivables of AED. 94,304,374 representing 6% 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.

Emphasis of a Matter

We draw attention to Note 3.1 to the consolidated financial statements which states that the Group incurred loss of AED. 102,738,529 for the current year compared to loss of AED. 130,500,837 in the previous year and the current liabilities exceeded current assets by AED. 60,634,216 as at 31 December 2021. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. Our opinion is not modified in respect of this matter.

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

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's Board of Directors Report of 2021, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Group's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 Consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

Auditor's Responsibilities for the Audit of the Consolidated financial statements (Continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 and its amendments we report that:

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

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

3. The Group 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 Group.

5. Transactions and terms with related parties are disclosed in Note 8.

6. The Social Contributions made during the year are disclosed in Note 23.

7. 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 Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of UAE Federal Law No. 2 of 2015 and its amendments or the Articles of Association of the Company which would have a material affect on the Group's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34

24 February 2022

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

EXHIBIT A

	Note	2021 AED	2020 AED
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**1,169,626,119**	1,161,988,323
Right –of –use assets	6	**109,645,475**	113,425,153
Total Non-Current Assets		**1,279,271,594**	1,275,413,476
Current Assets			
Inventories	7	**287,044,698**	282,575,476
Trade receivables	9	**94,304,374**	174,559,787
Advances and other receivables	10	**8,574,346**	5,936,864
Cash and cash equivalents	11	**723,106**	1,256,558
Total Current Assets		**390,646,524**	464,328,685
TOTAL ASSETS		**1,669,918,118**	1,739,742,161
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
Revaluation reserve	5	**34,747,500**	--
Retained earnings		**56,323,301**	159,061,830
Total Shareholders' Equity – Exhibit C		**831,222,535**	899,213,564
Non-Current Liabilities			
Employees' end of service benefits	15	**14,298,111**	14,341,137
Lease liabilities	16	**130,202,549**	116,515,197
Bank borrowings	17	**227,643,871**	246,683,750
Trade and other payables	18	**15,270,312**	--
Total Non-Current Liabilities		**387,414,843**	377,540,084
Current Liabilities			
Trade and other payables	18	**132,512,638**	142,539,060
Lease liabilities	16	**13,039,784**	21,888,555
Bank borrowings	17	**305,728,318**	298,560,898
Total Current Liabilities		**451,280,740**	462,988,513
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,669,918,118**	1,739,742,161

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, result of operation and cash flows of the Group as of, and for, the periods presented therein.

These consolidated financial statements were approved for issue by the Board of Directors on 24 February 2022 and signed on their behalf by :

Mohamed Bin Hamad Saif Al Sharqi (Chairman)	Board Member	Naser Khammas (General Manager)

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

EXHIBIT B

	Note	2021 AED	2020 AED
Revenue	21	**419,977,908**	557,906,925
Cost of sales		**(410,658,137)**	(526,509,508)
Gross profit		**9,319,771**	31,397,417
Selling and distribution expenses	22	**(53,577,550)**	(80,895,768)
General and administrative expenses	23	**(14,279,639)**	(12,042,834)
Provision for impairment of trade receivables	9(c)	**(15,095,491)**	(24,558,484)
Write-down of inventories to net realizable value	7(c)	**(5,568,397)**	(13,249,306)
Other income	24	**1,651,339**	1,887,310
Finance cost – bank borrowings		**(20,729,593)**	(28,621,440)
Finance cost – lease liabilities		**(4,458,969)**	(4,417,732)
Loss for the Year - Exhibit D		**(102,738,529)**	(130,500,837)
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss			
Surplus on land revaluation		**34,747,500**	--
Total comprehensive loss for the year - Exhibit C		**(67,991,029)**	(130,500,837)
Basic loss per share	25	**(0.289)**	(0.367)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Mohamed Bin Hamad Saif Al Sharqi (Chairman)

Board Member

Naser Khammas (General Manager)

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2020	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**
Total comprehensive loss for the year ended 31 December 2021 - Exhibit B	--	--	--	**34,747,500**	**(102,738,529)**	**(67,991,029)**
Balance at 31 December 2021 - Exhibit A	**355,865,320**	**161,750,412**	**222,536,002**	**34,747,500**	**56,323,301**	**831,222,535**

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

EXHIBIT D

	2021 AED	2020 AED
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year - Exhibit B	**(102,738,529)**	(130,500,837)
Adjustments for:		
Depreciation of property, plant and equipment	**54,177,829**	53,667,797
Depreciation of right-of-use assets	**10,274,135**	9,489,035
Gain on disposal of property, plant and equipment	--	(62,947)
Employees end of service benefits	**1,114,706**	1,150,049
Provision for impairment of trade receivables	**15,095,491**	24,558,484
Write-down of inventories to net realizable value	**5,568,397**	13,249,306
Finance cost – lease liabilities	**4,458,969**	4,417,732
Finance cost – bank borrowings	**20,729,593**	28,621,440
Operating cash flows before changes in operating assets and liabilities	**8,680,591**	4,590,059
(Increase)/decrease in inventories	**(10,037,619)**	102,769,441
Decrease in trade receivables	**65,159,922**	19,291,501
(Increase)/decrease in advances and other receivables	**(2,637,482)**	708,173
Increase in trade and other payables	**5,266,631**	32,338,725
Settlements of employees end of service benefits	**(1,157,732)**	(1,029,244)
Net Cash Provided by Operating Activities	**65,274,311**	158,668,655
CASH FLOW FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment	**(27,068,125)**	(26,368,082)
Proceeds from disposal of property, plant and equipment	--	63,000
Net Cash Used in Investing Activities	**(27,068,125)**	(26,305,082)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	**(6,114,845)**	--
Proceeds from term loans	--	40,000,000
Repayments of term loans	**(89,265,769)**	(76,282,204)
Proceeds from/(repayments of) other bank borrowings, net	**77,393,310**	(106,030,404)
Finance cost paid on bank borrowings	**(20,752,334)**	(29,748,192)
Net Cash Used in Financing Activities	**(38,739,638)**	(172,060,800)
Net decrease in cash and cash equivalents	**(533,452)**	(39,697,227)
Cash and cash equivalents at beginning of year	**1,256,558**	40,953,785
Cash and cash equivalents at end of year - Note 11	**723,106**	1,256,558

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED 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 Company and its subsidiary (collectively referred to as the "**Group**") are clinkers and hydraulic cement manufacturers and ready mixed concrete manufacturing.

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

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of consolidated financial statements are consistent with those applied by the Company in the interpretation of the financial statements for the year ended 31 December 2020 except for the adoption of the following new standards, interpretation and amendments.

2.1 Standards, interpretations issued and effective for the current year

The Group has adopted all the applicable new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRSC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2021.

- IFRS-16 – Covid – 19 related Rent Concession:

  In May 2020, the IASB issued Covid-19 Rent Concessions (Amendment to IFRS -16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS-16. The practical expedient permits a lessee to elect not to assess whether Covid-19 related Rent Concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change applying IFRS -16 if the change were not a lease modification.

  However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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

2.1 Standards, interpretations issued and effective for the current year

- Amendments to IFRS 9, 7,4,16 and IAS 39 - Interest Rate Benchmark reforms – Phase 2 :

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- *A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest*
- *Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued*
- *Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component*

These amendments had no material impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.2 Standards, interpretations and amendments in issue not yet effective

		Effective date
IAS 16 – Amendment	Property, plant and equipment: Proceeds before indented use	1 January 2022
IFRS 3 – Amendment	Reference to the Conceptual Frame work	1 January 2022
IAS 37 – Amendment	Onerous Contract – Cost of fulfilling a contract	1 January 2022
IFRS standards 2018-2020	Annual Improvements (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022
IAS 1 – Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS- 17 – New	Insurance Contracts	1 January 2023
IAS 1 – Amendment & IFRS practice statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8- Amendment	Definition of Accounting Estimate	1 January 2023

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group. If applicable, the Group intends to adopt these new and amended standards and interpretations when they become effective.

3. BASIS OF PREPARATION

3.1 Going concern

The Group incurred loss of AED. 102,738,529 for the current year compared to loss of AED. 130,500,837 in the previous year and the current liabilities exceeded current assets by AED. 60,634,216 as at 31 December 2021.

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3.2 Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the UAE Companies Law No. 2 of 2015 and its amendments.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group is in the process of reviewing the new provisions to apply the requirements of new law.

3.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for land which has been measured on the basis of valuation.

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

3.4 Use of estimates, assumptions and judgment

The preparation of consolidated 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 Group based its assumptions, judgments and estimates on parameters available when the consolidated 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 Group. Actual results may differ from these estimates. Such changes are reflected in the consolidated financial statements when they occur.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

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 Group 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 Group 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).

Useful lives of property, plant and equipment

The Group'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. Group's management reviews the residual value and useful lives annually.

Impairment loss on property, plant and equipment

The Group 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 consolidated statement of comprehensive income, the Group 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.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

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.

Calculation of the quantity of inventory

The calculation of closing stock quantities of certain raw materials, clinker and finished cement requires the use of estimates. At the end of each reporting period, management appoints a surveyor to determine the volume of the inventory which is used by management in a scientific formula by reference to its estimated density, to arrive to the closing quantity. The inventory as reflected in the accounting records, closely approximates the actual quantities.

Provision for expected credit loss

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to note 9 for the provision for the loss allowance for the year.

The Impact of the Spread of Coronavirus (COVID-19)

The coronavirus (COVID-19) had spread across several regions globally, including the United Arab Emirates and on March 2020, the World Health Organization (WHO) officially declared COVID-19 as a global pandemic. This impacted the global economy and business sectors. The outbreak of Coronavirus (Covid 19) continue to progress and evolve, causing disruption to business and economic activity and adversely affected the demand, cost of sales and selling prices for the Group's products. These accompanying challenges caused the decline in the Group's revenue compared with the previous year by 25%. The Group's management is closely monitoring the situation and has taken the necessary measures to address the situation in general. The extent and duration of these effects is not specific and depends on future developments that cannot be accurately predicted at this time.

3. BASIS OF PREPARATION (CONTINUED)

3.5 Basis of consolidation

These consolidated financial statements incorporated the financial statements of the parent company and entity controlled by the Company. Control is achieved when :

- The Group has power over the investee.
- The Group is exposed, or has rights to variable returns from its involvement with the investee.
- The Group has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controlled mentioned above.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts circumstances whether it has power over an investee, including ;

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from the other contractual arrangements.
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year is included in the consolidated statement of comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the Group accounting policies.

All intragroup balances and income, equity and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group ownership interests in a subsidiary that do not result in the Group losing control over a subsidiary are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

The details of the subsidiary is as follows :

Entity	% of ownership 2021	% of ownership 2020	Principal activities	Country of incorporation
Fujairah Cement Industries PJSC FZE*	**100**	--	Ready mixed concrete manufacturing	UAE

* The Establishment has not yet started operation. The factory is under construction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

The property, plant and equipment are carried at their cost/valuation 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 asset's 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

No depreciation is charged on land and capital work-in-progress. The depreciation charge for each period is recognized in the consolidated 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's 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 consolidated 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 Group'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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is :

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when :

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

4.3 Leases

The Group 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 Group 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 Group 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 Group uses the incremental borrowing interest rate.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Leases (Continued)

Lease obligations (Continued)

The lease liability is presented as a separate component of the Group's consolidated 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.

The Group 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.

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 Group 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 Group 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Leases (Continued)

Right-of-use assets (Continued)

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

The Group 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 Group did not use this practical expedient. For contracts that contain a leasing component and one or more leasing or non-leasing components, the Group 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.

4.4 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 consolidated 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 Group 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.

4.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

- **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.