



HEAD OFFICE

P.O. Box : 600, FUJAIRAH
UNITED ARAB EMIRATES
Tel.: 09-2223111
Fax: 09-2227718
Email: hofci79@fciho.ae

Web Site: www.fujairahcement.com موقع على الإنترنت

المكتب الرئيسي المكتب الرئيسي

ص.ب : ٦٠٠ - الفجيرة
الإمارات العربية المتحدة
تليفون: ٠٩-٢٢٢٣١١١
فاكس: ٠٩-٢٢٢٧٧١٨
البريد الإلكتروني: hofci79@fciho.ae

FUJAIRAH CEMENT INDUSTRIES

(P.J.S.C)

Integrated Report 2022



To view the Integrated Report of the Company for the year 2022 please visit the following websites:-

- www.fujairahcement.com
- www.adx.ae





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CONTENTS

- **Board of Directors' Report.**
- **External Auditors' Report.**
- **Audited Annual Financial Statement.**
- **Governance Report of 2022.**
- **Sustainability Report of 2022.**





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البريد الإلكتروني: hofci79@fciho.ae

BOARD OF DIRECTORS REPORT

The Board of Directors have the pleasure in submitting their report and the audited consolidated financial statements of **Fujairah Cement Industries P.J.S.C ("Company") and its subsidiary** (together referred to as the **"Group"**) for the year ended 31 December 2022. These consolidated financial statements are prepared by management. Management has taken responsibility for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and the applicable provision of UAE Federal Law No. 32 of 2021 on Commercial Companies and the Articles of Association of the Company and the Board of Directors have given clearance for issuance of these consolidated financial statements on 9 March 2023.

Incorporation

Fujairah Cement Industries P.J.S.C – Fujairah is a public joint stock company incorporated in the Emirate of Fujairah by an Amiri Decree issued by His Highness The Ruler of Fujairah on 20 December 1979. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange and Boursa Kuwait (Kuwait Stock Exchange). In the Annual General Meeting held on 31 March 2022, the shareholders approved the delisting of the Company's shares from Kuwait Stock Exchange (Boursa Kuwait). The last day of trading of the Company's shares in Boursa Kuwait was on 30 November 2022.

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

Principal activities

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.

Financial results

Total revenue of the Group for the year amounted to AED 374,577,222 (2021: AED 419,977,908) and the Group incurred a loss of AED 143,847,098. (2021: AED. 102,738,529).

Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future, so they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2022.

Transactions with related parties

The consolidated financial statements disclose related parties transactions and balances. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Board of Directors

Mohammed Bin Hamad Bin Saif Al Sharqi	Chairman
Mohamed Ghaith Khalfan Al Mohairbi	Vice -Chairman
Abdul Ghafour Hashem Abdul Ghafour Bahroozian	Member
Saad Abdullah Al Hanian	Member
Fahad Ahmed Abdulla Alshaar	Member
Saeed Mobarak Obaid Ahmed Alzahmi	Member
Mohamed Sharief Habib Mohamed Rafiee Alawadhi	Member
Abdoulateef Saad Abdollateef Aldosari	Member
Walid Abdalaziz Fakieh	Member
Mohammad Saeed Aldowaisan	Member
The Public Institution for Social Security – Kuwait State	Member

Auditors

The consolidated financial statements for the year ended 31 December 2022 were audited by Talal Abu-Ghazaleh & Co. International – Fujairah and they have indicated their willingness to continue as the auditor of the Group for the year 2023. A resolution proposing their re-appointment will be put at the annual general meeting.

On behalf of the Board of Directors

Mohammed Bin Hamad Bin Saif Al Sharqi

FACTORY Chairman
U.A.E.
Tel.: 09-2444011
Fax: 09-2444016, 2444061
Email: fujcem82@eim.ae



المصنع : ص.ب. ١١٤٧٧ - دبا الفجيرة
الإمارات العربية المتحدة
هاتف : ٠٩-٢٤٤٤٠١١
فاكس : ٠٩-٢٤٤٤٠١٦ , ٠٩-٢٤٤٤٠٦١
البريد الإلكتروني : fujcem82@eim.ae

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

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

INDEX	Page	Exhibit
Board of Directors Report	1	--
Independent Auditor's Report	2 – 5	--
Consolidated Statement of Financial Position	6	A
Consolidated Statement of Comprehensive Income	7	B
Consolidated Statement of Changes in Equity	8	C
Consolidated Statement of Cash Flows	9	D
Notes to the Consolidated Financial Statements	10 – 47	--

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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 2022, 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 2022, and its consolidated financial performance and its consolidated 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) together with the other 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 to the consolidated financial statements which states that the Group incurred loss of AED 143,847,098 for the current year compared to loss of AED 102,738,529 in the previous year and the accumulated losses as at 31 December 2022 amounted to AED 87,523,797 which was offset against voluntary reserve as at 31 December 2022. The current liabilities exceeded the current assets by AED 145,009,363. These events or conditions, along with other matters as set forth in Note 3.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 14 that states that the Group's Board of Directors resolved to offset the losses and/or the accumulated losses against voluntary reserve as at 31 December 2022. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in "Material Uncertainty Related to Going Concern" section, we have determined the matter described below to be the key audit matters to be communicated in our report.

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

Key audit matters (Continued)

Impairment 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. 955,209,516 representing 85% of total property, plant and equipment and 62% of total assets. The Group's management has hired an external valuer to estimate the recoverable amount based on fair value (derived through the Depreciated Replacement Cost (DRC) method by desktop exercise and no asset reinspection) 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 2022.

We performed the following audit procedures :

- Evaluated the objectivity, independence and expertise of the external valuation expert appointed by the management in valuation of plant and machinery.
- Evaluated the appropriateness of the underlying assumptions and the methodology used by the valuer and market practice.
- Assessed 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 2022 representing 16% 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 2022 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.

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 2022, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Group's Board of Directors, at the date of our auditor's report.

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. 32 of 2021 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.



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

*Responsibilities of Management and those charged with governance for the Consolidated financial statements
(Continued)*

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.
- 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.



**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)


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. 32 of 2021 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. 32 of 2021.
3. The Group has maintained proper books of account.
4. The financial information of the Board of Directors report are in agreement with the books of account and records of the Group.
5. As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in any shares during the year ended 31 December 2022.
6. Transactions and terms with related parties are disclosed in Note 19.
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 Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of UAE Federal Law No. 32 of 2021 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


Taid Ali Mureh
Licensed Auditor No. 1130

9 March 2023



FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022


EXHIBIT A

	<u>Note</u>	<u>2022</u> <u>AED</u>	<u>2021</u> <u>AED</u>
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,122,192,578	1,169,626,119
Right-of-use assets	6	99,778,553	109,645,475
Intangible assets	7	210,722	--
Total Non-Current Assets		1,222,181,853	1,279,271,594
Current Assets			
Inventories	8	252,179,167	287,044,698
Trade receivables	9	60,983,308	94,304,374
Advances and other receivables	10	8,166,430	8,574,346
Cash and cash equivalents	11	1,323,554	723,106
Total Current Assets		322,652,459	390,646,524
TOTAL ASSETS		1,544,834,312	1,669,918,118
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	135,012,205	222,536,002
Revaluation reserve	5	34,747,500	34,747,500
Retained earnings		--	56,323,301
Total Shareholders' Equity – Exhibit C		687,375,437	831,222,535
Non-Current Liabilities			
Employees' end of service benefits	15	13,081,321	14,298,111
Lease liabilities	16	112,705,265	130,202,549
Bank borrowings	17	234,038,621	227,643,871
Trade and other payables	18	29,971,846	15,270,312
Total Non-Current Liabilities		389,797,053	387,414,843
Current Liabilities			
Trade and other payables	18	108,849,022	132,512,638
Lease liabilities	16	28,849,674	13,039,784
Bank borrowings	17	329,963,126	305,728,318
Total Current Liabilities		467,661,822	451,280,740
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,544,834,312	1,669,918,118

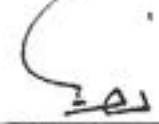
**THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS**

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 9 March 2023 and signed on their behalf by :


Mohamed Bin Hamad
Said Al Sharqi
(Chairman)


Board Member

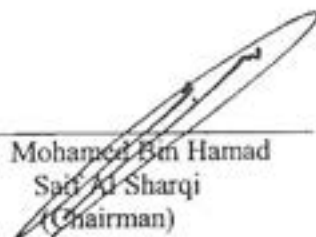

Naser Khammas
(General Manager)

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31 DECEMBER 2022

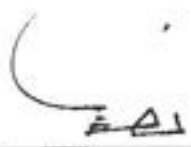
EXHIBIT B

	<u>Note</u>	<u>2022</u> <u>AED</u>	<u>2021</u> <u>AED</u>
Revenue	22	374,577,222	419,977,908
Cost of sales		(423,076,247)	(410,658,137)
Gross (loss)/profit		(48,499,025)	9,319,771
Selling and distribution expenses	23	(12,103,939)	(53,577,550)
General and administrative expenses	24	(12,153,679)	(14,279,639)
Provision for impairment loss of trade receivables	9(c)	(11,212,052)	(15,095,491)
Allowance for slow moving spare parts	8(b)	(6,114,492)	--
Write-down of inventories to net realizable value	8(c)	(18,275,313)	(5,568,397)
Factory costs during stoppage	25	(9,460,660)	--
Other income	26	4,054,947	1,651,339
Operating loss		(113,764,213)	(77,549,967)
Finance cost – bank borrowings		(25,945,522)	(20,729,593)
Finance cost – lease liabilities		(4,137,363)	(4,458,969)
Loss for the year – Exhibit D		(143,847,098)	(102,738,529)
Other comprehensive income :			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on land revaluation		--	34,747,500
Total comprehensive loss for the year- Exhibit C		(143,847,098)	(67,991,029)
Basic loss per share	27	(0.404)	(0.289)

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


 Mohamed Ben Hamad
 Saif Al Sharqi
 (Chairman)


 Board Member


 Naser Khammas
 (General Manager)

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE
YEAR ENDED 31 DECEMBER 2022

EXHIBIT C

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2021	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
Total comprehensive loss for the year ended 31 December 2022 – Exhibit B	--	--	--	--	(143,847,098)	(143,847,098)
Offsetting of accumulated losses against voluntary reserve (Note 14)	--	--	(87,523,797)	--	87,523,797	--
Balance at 31 December 2022 - Exhibit A	355,865,320	161,750,412	135,012,205	34,747,500	--	687,375,437

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 2022

EXHIBIT D

	2022	2021
	AED	AED
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year - Exhibit B	(143,847,098)	(102,738,529)
Adjustments for:		
Depreciation of property, plant and equipment	56,211,897	54,177,829
Depreciation of right-of-use assets	10,182,875	10,274,135
Amortization of intangible assets	38,795	--
Employees end of service benefits	1,379,860	1,114,706
Provision for impairment loss of trade receivables	11,212,052	15,095,491
Allowance for slow moving spare parts	6,114,492	--
Write-down of inventories to net realizable value	18,275,313	5,568,397
Finance cost – lease liabilities	4,137,363	4,458,969
Finance cost – bank borrowings	25,945,522	20,729,593
Operating cash flows before changes in operating assets and liabilities	(10,348,929)	8,680,591
Decrease/(increase) in inventories	8,659,127	(10,037,619)
Decrease in trade receivables	22,109,014	65,159,922
Decrease/(increase) in advances and other receivables	407,916	(2,637,482)
(Decrease)/increase in trade and other payables	(9,354,288)	5,266,631
Settlements of employees end of service benefits	(2,596,650)	(1,157,732)
Net Cash Provided by Operating Activities	8,876,190	65,274,311
CASH FLOW FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment	(7,211,274)	(27,068,125)
Net Cash Used in Investing Activities	(7,211,274)	(27,068,125)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(6,140,710)	(6,114,845)
Proceeds from bank-term borrowings	44,009,878	--
Repayments of bank-term borrowings	(27,756,775)	(89,265,769)
Proceeds from other bank borrowings, net	14,376,455	77,393,310
Finance cost paid on bank borrowings	(25,553,316)	(20,752,334)
Net Cash Used in Financing Activities	(1,064,468)	(38,739,638)
Net increase/(decrease) in cash and cash equivalents	600,448	(533,452)
Cash and cash equivalents at beginning of year	723,106	1,256,558
Cash and cash equivalents at end of year - Note 11	1,323,554	723,106

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

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

1. STATUS AND ACTIVITIES

Fujairah Cement Industries P.J.S.C – Fujairah (hereafter referred to as the “Company”) is a public joint stock company incorporated in the Emirate of Fujairah by an Amiri Decree issued by His Highness the Ruler of Fujairah on 20 December 1979. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange and Boursa Kuwait (Kuwait Stock Exchange). In the Annual General Meeting held on 31 March 2022, the shareholders approved the delisting of the Company's shares from Kuwait Stock Exchange (Boursa Kuwait). The last day of trading of the Company's shares in Boursa Kuwait was on 30 November 2022.

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.

The Group has not purchased or invested in any shares during the year ended 31 December 2022 and 2021.

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 Group in the interpretation of the consolidated financial statements for the year ended 31 December 2021 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 (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2022.

• ***Proceeds before intended use (Amendments to IAS (16) Property, Plant and Equipment.***

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the 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.

The amendments also clarify that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset.

If not presented separately in the statement of income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of income include(s) such proceeds and cost.

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

2.1 Standards, interpretations issued and effective for the current year (Continued)

- *Reference to the Conceptual Framework (Amendments to IFRS 3).*

Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

- *Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37).*

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract, among others)

Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- *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*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

- *IFRS 9 Amendments, Financial Instruments*

The amendments clarify the fees an entity includes when it applies the '10 per cent' in assessing whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

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

2.1 Standards, interpretations issued and effective for the current year (Continued)

- *Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) (Continued)*

- *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 under IAS 41

These amendments had no material impact on the consolidated financial statements of the Group.

2.2 Standards, interpretations and amendments in issue not yet effective and not early adopted:

		Effective date
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
IAS 12- Amendment	Deferred Tax related to Assets and Liabilities arising from a from a single transaction	1 January 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and an and its Associate or Joint Venture	Indefinite effective date

If applicable, the Group intends to adopt these new and amended standards and interpretations when they become effective. The management anticipates that the adoption of the above standards and interpretations in future periods may have an impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

3.1 Going concern

The Group incurred loss of AED 143,847,098 for the current year compared to loss of AED 102,738,529 in the previous year and the accumulated losses as at 31 December 2022 amounted to AED 87,523,797 which was offset against voluntary reserve as at 31 December 2022. The current liabilities exceeded the current assets by AED 145,009,363. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

3. BASIS OF PREPARATION (CONTINUED)

3.1 Going concern (Continued)

The major challenges during the year were the reduction in demand for cement and clinkers and higher production cost due to rising coal and fuel prices. In response to these challenges, the Group's management was able to increase the rates of cement in the local market and has started using alternate burning media in place of coal. The management is also exploring to enter other markets outside UAE to maximize the capacity utilization.

Management believes that the above actions and the feasibility of future plans by the Board of Directors will improve its ability to generate future profits and cash flows and continue its operations in the foreseeable future. Hence, the accompanying consolidated financial statements have been prepared on a 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 Federal Law No. 32 of 2021 on Commercial Companies.

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.

3.4 Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the Group's Functional Currency. The amounts in the consolidated financial statements are rounded to the nearest UAE Dirham (AED).

3.5 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)

3.5 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)

3.5 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, semi-finished products, burning media and finished goods 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 at the closing quantity. The inventory as reflected in the accounting records, closely approximates the actual quantities.

Impairment of non-financial assets

The Group's management evaluate whether there are indicators that suggest non-financial assets have suffered impairment in accordance with accounting policies stated in note 4. The recoverable amount of an asset is determined based on the fair value less cost of disposal of the specific asset impaired.

Provision for expected credit loss "ECL"

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.

3.6 Basis of consolidation

These consolidated financial statements incorporated the consolidated financial statements of the parent company and entity controlled by the Group. 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.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

3. BASIS OF PREPARATION (CONTINUED)

3.6 Basis of consolidation (Continued)

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 :

<u>Entity</u>	<u>% of ownership</u>		<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>2022</u>	<u>2021</u>		
Fujairah Cement Industries PJSC FZE*	100	100	Ready mixed concrete manufacturing	UAE

* The Establishment started its operation in March 2022.

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.

	<u>Estimated useful lives</u> Years
Factory buildings and improvements	5 to 35
Factory civil structures	5 to 35
Plant and machinery	2 to 35
Furniture and fixtures	2 to 4
Vehicles and mobile plant	4 to 7
Tools and equipment	2 to 4
Quarry assets	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 and residual values 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, plant 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.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Intangible assets

Intangible assets represents the total amounts paid towards software and is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on straight line basis over a period of five years from the date they are available for use.

4.3 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.

4.4 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Leases (Continued)

Lease obligations (Continued)

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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Leases (Continued)

Right-of-use assets (Continued)

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.

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.

The Group as Lessor

Operating leases

The rental income from the operating the lease is recognized on a consistent basis and evenly over the period of the related contract. The initial direct costs incurred by the entity when negotiating and preparing the contract are added to the value in which the leased asset appears in the consolidated statement of financial position, and they are recognized as expenses during the contract period in the same way that is adopted for lease income. Leased assets are depreciated under operating lease contracts, based on the same depreciation policies that the entity follows for similar assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

4.6 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 (FVTOCI), and fair value through profit or loss (FVTPL). 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.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

Financial assets (Continued)

• **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

• **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at fair value through other comprehensive income (OCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

As of reporting date, that the Group contracted with only the financial assets at amortized cost.

• **Financial assets at amortized cost**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables, other receivables and cash and cash equivalents.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

Financial assets (Continued)

• Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are recognized when the Group 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 can be subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis, or at fair value through profit or loss.

As of reporting date, that the Group contracted with only the financial liability at amortized cost.

• Financial liabilities at amortized cost

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.

The Group's financial liabilities at amortized cost includes trade and other payables, lease liabilities and bank borrowings.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

Financial liabilities (Continued)

• Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle liabilities simultaneously.

4.7 Inventories

Inventories are valued at the lower of cost or net realizable value, cost is determined using the weighted average basis. 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.

Spare parts and others inventories cost comprises of their purchase price.

Provision is made where necessary for obsolete, slow-moving and damaged items

4.8 Cash and cash equivalents

For the purpose of preparing consolidated statement of cash flows (Exhibit D) cash and cash equivalents comprise cash in hand and unrestricted balances with banks which are subject to an insignificant risk of change in value.

4.9 Share capital

Ordinary shares are classified as equity.

4.10 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and the amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.12 Employees 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 Group in accordance with Federal Law.

4.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as other income or finance costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Borrowings (Continued)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the consolidated statement of comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.14 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.

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

4.15 Revenue from contracts with customers balances

Contract assets

A contract asset is the right to the consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring the goods or service to the customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

Trade receivables are amount due from customers for goods sold or services performed in the ordinary course of business. The accounting policies of financial assets in financial instruments paragraph details the initial recognition and subsequent measurement of trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

4.16 Revenue recognition

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

Contract revenue

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Revenue recognition (Continued)

Contract revenue (Continued)

Step 1: Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue as and when the entity satisfies a performance obligation.

The Group recognizes revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

• *Sale of goods*

Revenue is recognized for the performance obligation when control over the corresponding goods is transferred to the customers. The timing of revenue recognition of this performance obligation is at point in time for sale of goods when the goods are delivered to the customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 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 consolidated statement of comprehensive income.

4.18 Dividend distribution

Dividend distribution to the shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4.19 Value added tax

Expenses and assets are recognized net of the amount of VAT, except :

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

4.20 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 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 consolidated financial statements.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

5. PROPERTY, PLANT AND EQUIPMENT

a) The details of this item are as follows :

	Land AED	Factory buildings and improvements AED	Factory civil structures AED	Plant and machinery AED	Furniture and fixtures AED	Vehicles and mobile plant AED	Tools and equipment AED	Quarry AED	Capital work- in-progress AED	Total AED
Cost/Valuation :										
At 1 January 2021	250,000	30,712,750	129,286,686	2,024,162,457	3,766,744	27,032,732	13,181,407	31,949,125	5,800,586	2,266,142,487
Additions during the year	--	--	--	7,381,899	133,133	--	59,954	--	19,493,139	27,068,125
Transfers	--	--	--	--	489,048	--	--	--	(489,048)	--
Revaluation surplus	34,747,500	--	--	--	--	--	--	--	--	34,747,500
At 31 December 2021	34,997,500	30,712,750	129,286,686	2,031,544,356	4,388,925	27,032,732	13,241,361	31,949,125	24,804,677	2,327,958,112
Additions during the year	--	--	--	1,994,475	4,854	178,000	75,599	--	4,958,346	7,211,274
Transfers	--	362,382	--	4,224,264	9,010	11,727,129	209,410	--	(16,532,195)	--
Transfer to intangible assets	--	--	--	--	--	--	--	--	(249,517)	(249,517)
Transfer from inventories	--	--	--	1,745,564	--	--	--	--	71,035	1,816,599
Balance at 31 December 2022	34,997,500	31,075,132	129,286,686	2,039,508,659	4,402,789	38,937,861	13,526,370	31,949,125	13,052,346	2,336,736,468
Accumulated Depreciation :										
At 1 January 2021	--	15,445,267	33,781,786	990,629,760	3,388,249	23,040,866	12,969,114	24,899,122	--	1,104,154,164
Charged for the year	--	811,361	4,045,777	46,526,471	269,433	1,464,957	133,749	926,081	--	54,177,829
At 31 December 2021	--	16,256,628	37,827,563	1,037,156,231	3,657,682	24,505,823	13,102,863	25,825,203	--	1,158,331,993
Charged for the year	--	791,393	4,110,814	47,142,912	250,727	2,884,618	105,353	926,080	--	56,211,897
Balance at 31 December 2022	--	17,048,021	41,938,377	1,084,299,143	3,908,409	27,390,441	13,208,216	26,751,283	--	1,214,543,890
Net Book Value :										
At 31 December 2022 - Exhibit A	34,997,500	14,027,111	87,348,309	945,209,516	494,380	11,547,420	318,154	5,197,842	13,052,346	1,122,192,578
At 31 December 2021 - Exhibit A	34,997,500	14,456,122	91,459,123	994,388,125	731,243	2,526,909	138,498	6,123,922	24,804,677	1,169,626,119

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- b) Land mentioned above of AED. 34,997,500 is stated at valuation by Land and Property Management – Dibba Municipality – Government of Fujairah and the difference amounting to AED. 34,747,500, was credited to revaluation reserve (Exhibit A).
- c) Part of the factory buildings and improvements, factory civil structures and plant and machinery are constructed/erected on leased land obtained from the Dibba Municipality – Government of Fujairah.
- d) There is a registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project included in plant and machinery mentioned above and an assignment of insurance policy covering the project in favour of the bank against bank borrowings (Note 17).
- e) Insurance policy covering movable assets is assigned in favor of a bank against bank borrowings (Note 17).
- f) Commercial mortgage over thermal power plant included in plant and machinery mentioned above, 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 bank borrowings (Note 17).
- g) There is a registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 17) included in plant and machinery mentioned above.
- h) Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period amounted to AED. 354,785,226 (2021 : AED. 353,478,614).

6. RIGHT-OF-USE ASSETS

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

	<u>2022</u> AED	<u>2021</u> AED
Cost :		
At 1 January	138,897,679	132,403,222
Additions during the year	315,953	6,494,457
Balance at 31 December	<u>139,213,632</u>	<u>138,897,679</u>
Accumulated Depreciation :		
At 1 January	29,252,204	18,978,069
Charged for the year	10,182,875	10,274,135
Balance at 31 December	<u>39,435,079</u>	<u>29,252,204</u>
Net book Value at 31 December – Exhibit A	<u>99,778,553</u>	<u>109,645,475</u>

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

7. INTANGIBLE ASSETS

This item consists of the following :

	<u>Software</u> AED
Cost :	
At 1 January 2021	--
At 31 December 2021	--
Transfer from capital work-in-progress	249,517
Balance at 31 December 2022	249,517
Accumulated amortization :	
At 1 January 2021	--
Charged for the year	--
At 31 December 2021	--
Charged for the year	38,795
Balance at 31 December 2022	38,795
Net book Value :	
At 31 December 2022 – Exhibit A	210,722
At 31 December 2021 – Exhibit A	--

8. INVENTORIES

a) This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Raw materials	16,056,468	17,006,665
Semi-finished products	56,671,485	66,175,823
Finished products	3,383,164	3,108,902
Total	76,111,117	86,291,390
Spare parts	126,971,880	128,031,829
Allowance for slow-moving spare parts – Note 8(b)	(26,816,605)	(20,702,113)
Net	100,155,275	107,329,716
Burning media	75,099,758	73,212,154
Bags and packing material	735,336	722,634
Total	75,835,094	73,934,788
Goods-in-transit	77,681	19,488,804
Total – Exhibit A	252,179,167	287,044,698

Insurance policy over inventories is assigned against bank borrowings (Note 17).

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

8. INVENTORIES (CONTINUED)

b) The movement in allowance for slow-moving spare parts during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	20,702,113	20,702,113
Additions during the year	6,114,492	--
Balance at 31 December – Note 8(a)	<u>26,816,605</u>	<u>20,702,113</u>

c) Inventories have been reduced by AED. 18,275,313 (2021 : AED. 5,568,397) as a result of the write-down to net realizable value. This write-down was recognized as expenses (Exhibit B).

9. TRADE RECEIVABLES

a) This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Trade receivables	113,695,970	135,942,404
Provision for impairment loss of trade receivables - Note 9(c)	(52,712,662)	(41,638,030)
Net amount – Exhibit A	<u>60,983,308</u>	<u>94,304,374</u>
Coverage :		
Trade receivables against BG & L/C's	31,949,545	45,713,677
Trade receivables	81,746,425	90,228,727
Total	<u>113,695,970</u>	<u>135,942,404</u>

b) Trade receivables include :

- 7 customers (2021 : AED. 5 customers) representing 78% (2021 : 78%) of the trade receivables.
- AED. 65.4 Million (2021 : AED. 63.7 Million) which is past due of this AED. 3.6 Million (2021 : AED. 4.8 Million) is secured.
- Trade receivables are assigned against bank borrowings (Note 17).

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

9. TRADE RECEIVABLES (CONTINUED)

- c) The details of movement in provision for impairment loss of trade receivables during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	41,638,030	26,552,172
Additions to provision	11,212,052	15,095,491
Written off	(137,420)	(9,633)
Balance at 31 December – Note 9(a)	<u><u>52,712,662</u></u>	<u><u>41,638,030</u></u>

The average credit period for the trade receivables is 112 days (2021 : 119 days). No interest is charged on trade receivables in the normal course of business.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the customers including bank guarantees and letters of credit provided, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

- d) The details of risk profile and age wise analysis of trade receivables are as follows :

	2022		
	<u>Gross</u> <u>trade receivables</u> AED	<u>Expected</u> <u>Credit loss</u> AED	<u>Expected</u> <u>Credit loss rate</u> %
Secured trade receivables against bank guarantees and letters of credit	31,949,545	--	--
Unsecured trade receivables	81,746,425	52,712,662	65%
Total – Note 9(a & c)	<u><u>113,695,970</u></u>	<u><u>52,712,662</u></u>	

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

9. TRADE RECEIVABLES (CONTINUED)

d) The details of risk profile and age wise analysis of trade receivables are as follows :
(Continued)

	2021		
	Gross trade receivables AED	Expected Credit loss AED	Expected Credit loss rate %
Secured trade receivables against bank guarantees and letters of credit	45,713,677	--	--
Unsecured trade receivables	90,228,727	41,638,030	46%
Total – Note 9(a & c)	135,942,404	41,638,030	

	Not past due AED	Less than 180 days AED	180 -360 days AED	More than 360 days AED	Total AED
31 December 2022	48,294,544	3,489,716	3,518,263	58,393,447	113,695,970
31 December 2021	72,243,625	14,350,996	5,102,766	44,245,017	135,942,404

Geographical Analysis

The geographical analysis of trade receivables are as follows :

	2022 AED	2021 AED
Within U.A.E	92,318,637	96,661,418
Outside U.A.E – G.CC	20,766,220	18,439,454
Other countries	611,113	20,841,532
Total	113,695,970	135,942,404

10. ADVANCES AND OTHER RECEIVABLES

This item consists of the following :

	2022 AED	2021 AED
Prepayments	858,554	683,781
Advances to suppliers	1,889,916	2,228,715
Other receivables	5,417,960	5,661,850
Total - Exhibit A	8,166,430	8,574,346

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

11. CASH AND CASH EQUIVALENTS

This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Cash in hand	117,415	114,651
Bank balances - Current accounts	1,206,139	608,455
Total – Exhibit A & D	<u><u>1,323,554</u></u>	<u><u>723,106</u></u>

12. SHARE CAPITAL

This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Authorized share capital is AED. 355,865,320 ordinary share of AED. 1 each fully paid – Exhibit A & C	<u><u>355,865,320</u></u>	<u><u>355,865,320</u></u>

13. STATUTORY RESERVE

This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	161,750,412	161,750,412
Balance at 31 December - Exhibit A & C	<u><u>161,750,412</u></u>	<u><u>161,750,412</u></u>

In accordance with UAE Federal Law No. 32 of 2021, an amount equal to 10% (2021 : 10% in accordance with UAE Federal Law No. 2 of 2015 and its amendments) 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

a) The details of movement in voluntary reserve during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	222,536,002	222,536,002
Offsetting of accumulated losses – Note 14(c)	(87,523,797)	–
Balance at 31 December - Exhibit A & C	<u><u>135,012,205</u></u>	<u><u>222,536,002</u></u>

b) In prior years, 10% of the profits was appropriated to a voluntary reserve. As per Article 59 of the Articles of Association of the Company, the voluntary reserve may be used according to a resolution of the Board of Directors in the aspects that achieve the interests of the Company.

c) The Board of Directors resolved to offset the losses and/or the accumulated losses of the Company against the voluntary reserve as at 31 December 2022 and thereafter in the future in the event that the Company is reporting losses.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

15. EMPLOYEES END OF SERVICE BENEFITS

The details of movement in this item during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	14,298,111	14,341,137
Current service cost	1,379,860	1,114,706
Settlements during the year	(2,596,650)	(1,157,732)
Balance at 31 December - Exhibit A	<u><u>13,081,321</u></u>	<u><u>14,298,111</u></u>

16. LEASE LIABILITIES

Lease liabilities represent the long term lease plots of land from Government of Fujairah.
The details of movements in this item during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	143,242,333	138,403,752
Additions during the year	315,953	6,494,457
Finance cost on lease liabilities	4,137,363	4,458,969
Payments during the year	(6,140,710)	(6,114,845)
Balance at 31 December	<u><u>141,554,939</u></u>	<u><u>143,242,333</u></u>
Non-Current -Exhibit A	<u><u>112,705,265</u></u>	<u><u>130,202,549</u></u>
Current -Exhibit A	<u><u>28,849,674</u></u>	<u><u>13,039,784</u></u>
Total	<u><u>141,554,939</u></u>	<u><u>143,242,333</u></u>

17. BANK BORROWINGS

a) Bank-term borrowings

i) This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Balance at 1 January	253,585,059	342,850,828
Add: Received during the year	44,009,878	--
Less: Repaid during the year	(27,756,775)	(89,265,769)
Balance at 31 December	<u><u>269,838,162</u></u>	<u><u>253,585,059</u></u>
Non-Current portion – Note 17(c)(i)	<u><u>234,038,621</u></u>	<u><u>227,643,871</u></u>
Current portion – Note 17(c)(ii)	<u><u>35,799,541</u></u>	<u><u>25,941,188</u></u>
Total– Note 17(a)(ii)	<u><u>269,838,162</u></u>	<u><u>253,585,059</u></u>

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

17. BANK BORROWINGS (CONTINUED)

a) Bank-term borrowings (Continued)

ii) Break-up of bank-term borrowings are as follows :

<u>Loan</u>	<u>Maturity date</u>	<u>2022</u> AED	<u>2021</u> AED
Term loan 1	January 2030	48,248,494	53,240,681
Term loan 2	December 2028	13,187,698	14,836,699
Term loan 3	November 2026	92,807,679	101,807,679
Term loan 4	December 2028	74,400,000	83,700,000
Term loan 5	November 2023	6,194,291	--
Term loan 6	December 2025	35,000,000	--
Total – Note 17(a)(i)		269,838,162	253,585,059

Term loan 1

During 2017, the Group 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. During 2021, the existing Ijarah balance has been refinanced by the same bank to be repaid in 31 equal quarterly installments of AED. 1,664,063 commencing from April 2022 and the remaining amount of AED. 1,654,728 to be settled in January 2030.

Term loan 2

During 2017, the Group entered into an Islamic financing arrangement (Mudaraba) 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. Out of the outstanding amount of AED. 19,407,168, the Group 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. In 30 June 2021, the outstanding amount of AED. 15,768,929 is rescheduled to be repaid in 30 quarterly installments commencing from July 2021 and ending December 2028.

Term loan 3

During 2017, the Group 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. In September 2021, the outstanding amount of AED. 101,807,679 is rescheduled to be repaid in 20 quarterly installments commencing from February 2022 and ending in November 2026. In November 2022, the outstanding amount of AED 94,307,679 is rescheduled to be repaid in 17 quarterly installment commencing from November 2022 and ending in November 2026.

17. BANK BORROWINGS (CONTINUED)

a) Bank-term borrowings (Continued)

ii) Break-up of bank-term borrowings are as follows : (Continued)

The Installments details are below :

- 1 installment of AED. 1,500,000
- 4 installments of AED. 2,000,000
- 3 installments of AED. 3,500,000
- 1 installment of AED. 6,000,000
- 3 installments of AED. 6,500,000
- 1 installment of AED. 14,000,000
- 3 installments of AED. 8,703,000
- 1 installment of AED. 8,698,679

Term loan 4

During 2019, the Group was sanctioned and entered into an Islamic financing arrangement (Mudaraba) from a bank operating in United Arab Emirates for AED. 100,000,000 to settle existing liabilities with other banks. The loan is repayable in 28 quarterly installments, commencing in March 2020 and ending in December 2026. In June 2021, the outstanding amount of AED. 91,000,000 is rescheduled to be repaid in 31 quarterly installments commencing from June 2021 and ending in December 2028.

The installment details are as below :

- 2 installments of AED. 2,000,000
- 1 installment of AED. 3,300,000
- 8 installments of AED. 2,325,000
- 20 installments of AED. 3,255,000

Term loan 5

During 2022, the Group has entered into a loan agreement from a bank operating in the United Arab Emirates for an amount of AED. 9,009,878 to settle the existing outstanding overdraft facility with the same bank. The loan is repayable in 16 equal monthly installments commencing from August 2022 and ending in November 2023.

Term loan 6

During the year 2022, the Group was sanctioned and entered into a loan agreement from a bank operating in the United Arab Emirates for an amount of AED. 35,000,000 to settle the existing short term loan and trust receipts with the same bank. The loan is repayable in 12 quarterly installments commencing from March 2023 and ending in December 2025.

The installment details are as bellow :

- 4 installments of AED. 1,000,000
- 4 installment of AED. 2,500,000
- 3 installments of AED. 5,000,000
- 1 installment of AED. 6,000,000

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

17. BANK BORROWINGS (CONTINUED)

b) Other bank borrowings

This item consist of the following :

	<u>2022</u> AED	<u>2021</u> AED
Trust receipts	152,244,403	112,403,242
Short term loans	110,000,000	135,000,000
Overdrafts	31,919,182	32,383,888
Total – Note 17 (c)(ii)	<u>294,163,585</u>	<u>279,787,130</u>

c) Details of bank-term borrowings are as follows :

i) Non-current portion

This item consist of the following :

	<u>2022</u> AED	<u>2021</u> AED
In the second year	48,484,250	27,605,250
In the third to fifth year	155,260,429	147,760,429
After five year	30,293,942	52,278,192
Total – Exhibit A	<u>234,038,621</u>	<u>227,643,871</u>

ii) Current portion

This item consist of the following :

	<u>2022</u> AED	<u>2021</u> AED
Bank-term borrowings - Note 17(a)(i)	35,799,541	25,941,188
Other bank borrowings – Note 17(b)	294,163,585	279,787,130
Total – Exhibit A	<u>329,963,126</u>	<u>305,728,318</u>
Total Bank borrowings	<u>564,001,747</u>	<u>533,372,189</u>

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

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

17. BANK BORROWINGS (CONTINUED)

c) Details of bank-term borrowings are as follows : (Continued)

iii) Bank borrowings are secured by: (Continued)

- 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.

18. TRADE AND OTHER PAYABLES

This items consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Trade payables	125,639,315	127,621,216
Dividends payable	3,944,983	3,971,870
Advanced received from customers	711,703	285,699
Accrued expenses	4,948,265	13,164,297
Accrued interest payables	2,811,657	2,419,451
Others	764,945	320,417
Total	<u>138,820,868</u>	<u>147,782,950</u>
Non-Current – Exhibit A	29,971,846	15,270,312
Current – Exhibit A	108,849,022	132,512,638
Total	<u>138,820,868</u>	<u>147,782,950</u>

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

- At the statement of consolidated financial position date, balances of related parties are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Balances due from related parties (included in trade receivables)	1,820,532	1,104,667
Balances due to related parties (included in trade and other payables)	242,432	84,876

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	<u>2022</u> AED	<u>2021</u> AED
Sales	3,681,377	2,503,376
Purchases/service contracts	718,664	1,166,490
Construction of property, plant and equipment	671,336	633,950

- The remuneration, salaries and other benefits of key management staff during the year are as follows :

	<u>2022</u> AED	<u>2021</u> AED
key management staff salaries and other related benefits	<u>3,183,488</u>	<u>3,855,995</u>

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the assets or transfer the liability at the measurement date under current market conditions.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either :

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

The Group must have access to the principal (or most advantageous) market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments comprise financial assets and financial liabilities.

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

Fair value of financial instruments carried at amortized cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortized cost in the consolidated financial statements approximate their fair values.

21. RISK MANAGEMENT

Risk is inherited in the Group'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 Group is exposed to a variety of financial risks included : capital risk, market risk (foreign currency risk and interest rate risk) credit risk and liquidity risk.

The Group 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 Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

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. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

a) 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 Group'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.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

21. RISK MANAGEMENT (CONTINUED)

21.2 Market risk (Continued)

b) Interest rate risk

The Group 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 2022 are as follows :

	Effective interest rate	
	2022	2021
Bank loans	2.75% p.a + 3 months EIBOR – IRS executed at 2.00% p.a (fixed) + floating on 3 months EIBOR with a strike 1.75% p.a 2.5% p.a + 3 months EIBOR – IRS executed at 3.45% p.a + to cover EIBOR 3 months + 2.5% p.a + EIBOR 1 month + 1.8% p.a + EIBOR	3% p.a + 3 months EIBOR – IRS executed at 3.40% p.a + to cover EIBOR 2.5% p.a + 3 months EIBOR – IRS executed at 3.70% p.a + to cover EIBOR 3 months + 2.25% to 2.5% p.a + EIBOR --
Short-term loans	1 month EIBOR + 1.75% p.a 5.5% to 7.5% p.a	1 month EIBOR + 1.75% p.a 5.5% to 7% p.a
Overdrafts	1 month EIBOR + 1.75% to 2.50% p.a 3 months EIBOR + 3% p.a	1 month EIBOR + 1.75% to 2.50% p.a 3 months EIBOR + 3.5% p.a
Trust receipts	1 month EIBOR + 1.75% to 2.30% p.a 3 months EIBOR + 3% p.a 9 months EIBOR + 1.75% p.a	1 month EIBOR + 1.75% to 2.30% p.a 3 months EIBOR + 2% p.a 9 months EIBOR + 1.75% p.a

21.3 Credit risk

Credit risk is the risk of financial loss to the Group, 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 Group trade with recognized, creditworthy parties. The Group'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 to trade receivables and due from related parties.

The Group applies IFRS 9 simplified approach to measure expected credit loss (ECL) by grouping 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.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

21. RISK MANAGEMENT (CONTINUED)

21.3 Credit risk (Continued)

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 Group's cash is placed with banks of repute. Management is confident that it does not result in any credit risk to the Group as the banks are major banks operating in UAE.

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 Group 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 Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

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

As at 31 December 2022 :

	<u>Less than three months</u> AED	<u>From 3 months to one year</u> AED	<u>1-5 years</u> AED	<u>Above 5 years</u> AED	<u>Total</u> AED
Financial Assets					
Cash and cash equivalents	1,323,554	--	--	--	1,323,554
Trade receivables	28,291,072	32,692,236	--	--	60,983,308
Other receivable	299	5,417,661	--	--	5,417,960
Total	<u>29,614,925</u>	<u>38,109,897</u>	<u>--</u>	<u>--</u>	<u>67,724,822</u>
Financial Liabilities					
Bank borrowings	210,256,475	119,706,651	203,744,679	30,293,942	564,001,747
Trade and other payables	2,453,577	105,683,741	29,971,847	--	138,109,165
Lease liabilities	165,430	28,684,244	63,763,484	48,941,781	141,554,939
Total	<u>212,875,482</u>	<u>254,074,636</u>	<u>297,480,010</u>	<u>79,235,723</u>	<u>843,665,851</u>

As at 31 December 2021 :

	<u>Less than three months</u> AED	<u>From 3 months to one year</u> AED	<u>1-5 years</u> AED	<u>Above 5 years</u> AED	<u>Total</u> AED
Financial Assets					
Cash and cash equivalents	723,106	--	--	--	723,106
Trade receivables	56,925,540	37,378,834	--	--	94,304,374
Other receivable	--	5,661,850	--	--	5,661,850
Total	<u>57,648,646</u>	<u>43,040,684</u>	<u>--</u>	<u>--</u>	<u>100,689,330</u>
Financial Liabilities					
Bank borrowings	148,846,595	156,881,723	175,365,679	52,278,192	533,372,189
Trade and other payables	--	132,226,939	15,270,312	--	147,497,251
Lease liabilities	--	13,039,784	60,294,530	69,908,019	143,242,333
Total	<u>148,846,595</u>	<u>302,148,446</u>	<u>250,930,521</u>	<u>122,186,211</u>	<u>824,111,773</u>

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

22. REVENUE

This items consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
<i>Revenue recognized at point in time</i>		
Sales :		
Within UAE	144,500,314	111,857,489
Outside UAE-GCC	61,833,255	67,362,164
Other countries	168,243,653	240,758,255
Total – Exhibit B	<u><u>374,577,222</u></u>	<u><u>419,977,908</u></u>

23. SELLING AND DISTRIBUTION EXPENSES

This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Transportation expenses	7,358,038	24,821,137
Export expenses	2,764,128	26,880,697
Salaries and related benefits	1,557,417	1,617,761
Vehicle expenses	2,447	26,150
Business promotion	5,000	10,000
Toll fees and charges	199,537	72,527
Others	217,372	149,278
Total – Exhibit B	<u><u>12,103,939</u></u>	<u><u>53,577,550</u></u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

a) This item consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Salaries and related benefits	6,384,999	6,826,739
Insurance	359,388	510,765
Legal, visa, professional and related expenses	1,837,679	1,890,340
Social contributions – Note 24(b)	82,865	1,021,602
Short-term lease expenses	636,222	716,406
Utilities	381,262	297,792
Telephone and communication	364,609	363,174
Travelling and entertainment	53,950	26,918
Repairs and maintenance	260,057	177,115
Medical expenses	1,449,361	1,265,906
Depreciation of right-of-use assets	128,494	785,102
Others	214,793	397,780
Total – Exhibit B	<u><u>12,153,679</u></u>	<u><u>14,279,639</u></u>

b) Social contributions mentioned above compromise AED. Nil (2021 : AED. 1,000,000) paid to Fujairah Foundation for regions development and AED. 82,865 (2021 : AED. 21,602) to the recognized institutions.

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

25. FACTORY COSTS DURING STOPPAGE

Factory costs during stoppage of AED. 9,460,660 (Exhibit B) represent the unallocated fixed production overheads incurred when the factory was shut down completely temporarily during December 2022.

26. OTHER INCOME

This items consists of the following :

	<u>2022</u> AED	<u>2021</u> AED
Foreign exchange income	501,063	30,600
Insurance claim income	687,170	—
Sale of scrap	—	417,715
Miscellaneous income	2,866,714	1,203,024
Total – Exhibit B	<u><u>4,054,947</u></u>	<u><u>1,651,339</u></u>

27. BASIC LOSS PER SHARE

This items consists of the following :

	<u>2022</u>	<u>2021</u>
Loss for the year (AED)	(143,847,098)	(102,738,529)
Weighted average number of shares (Share)	<u>355,865,320</u>	<u>355,865,320</u>
Basic loss per share (AED) – Exhibit B	<u><u>(0.404)</u></u>	<u><u>(0.289)</u></u>

28. CONTINGENT LIABILITIES/COMMITMENTS

i) Contingent liabilities

Contingent liabilities of the Group as at the consolidated statement of financial position date amounted to AED. Nil (2021: AED. 3,897,143) representing letters of credit.

ii) Commitments

Commitments of the Group as at the consolidated statement of financial position date are as follows :

	<u>2022</u> AED	<u>2021</u> AED
Commitments for the purchase of property, plant and equipment	<u><u>497,817</u></u>	<u><u>3,269,652</u></u>

29. COMPARATIVE FIGURES

Certain comparatives have been reclassified to comply with those of current year presentation.

FUJAIRAH CEMENT INDUSTRIES (P.J.S.C)

Annual Corporate Governance Report 2022



To view Governance report of the Company for the year
2022 please visit the following websites:-

- www.fujairahcement.com
- www.adx.ae

Index

No.	Description	Page
1	Introduction to Governance System Application	1-2
2	Statement of Ownership and Transactions of the Members of the Board of Directors in the stock market	3
3	Formation of Board of Directors	4-7
	A/ Formation of Board of Directors.	
	B/ Women Representation Percentage in Board of Directors for 2022.	
	C/ Reasons for lack of women nomination for Board of Directors membership.	
	D/1: Board of Directors total paid remunerations for 2021.	
	2/ Board of Directors total proposed remunerations for 2022 to be presented at the General Assembly Meeting for approval.	
	3/ Details of allowances received by Board members for attending Board of Directors and Committees meetings for 2022.	
	E/ Number of Board of Directors meetings held during the financial year 2022, their dates, and the number of times of attendance in person.	
	F/ Number of the resolutions of the board of directors issued by passing during the fiscal year 2022 along with the dates thereof.	
	G/ Board of Directors tasks and responsibilities delegated to the Executive Management.	
	H/ Dealings conducted with related parties (Stakeholders).	
	I/Company's Organizational Structure.	
	J/ Statement of FCI senior executive officers' salaries and remunerations paid to them.	
4/	External Auditor	8
	A/Profile on the Company's Auditor	
	B/ Detailed statement of fees, costs and services of the external auditor and period it spent	
	C/ reservations have been incorporated by the external auditor in the interim or annual financial statements for 2022.	
5	Audit Committee	9-10
	A/ Declaration of head auditing committee of his responsibility for the committee system of the company.	
	B/ Names of Audit Committee's members and statement of competencies and tasks assigned to the Committee.	
	C/ Number of Audit Committee meetings and members' attendance in person during 2022.	
6/	Nominations and Remunerations Committee	10-11
	A/ Declaration of head nomination & remunerations committee of his responsibility for the committee system of the company.	
	B/ Names of nomination & remunerations committee and statement of competencies and tasks assigned to the Committee.	
	C/number of meetings of nomination & remunerations and dates thereof and personal attendance of numbers.	
7	Knowledgeable persons' dealings Follow-up and Supervisory Committee	11-12
	A/ Declaration of the committee head or his attorney for his responsibility of the committee's system.	
	B/ Names of follow-up and supervision committee on the dealings of knowledgeable persons and statement of competencies and tasks assigned to it.	
	C/ Summary of the committee's report during 2022.	
8	Other committee(s) approved by the board of directors.	12
9	Internal Audit System.	12-13
10	Violations.	13
11	FCI contribution for 2022 to local community development and safeguarding of the environment.	13-14
12	General Information.	14-18



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الإمارات العربية المتحدة
تليفون: ٠٩-٢٢٢٣١١١
فاكس: ٠٩-٢٢٢٧٧١٨
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The Governance Report -2022

1- Implementing the Corporate Governance System during the year

2022:

In light of the increasing importance of applying governance in economic activity, the members of the Board of Directors of the company were keen to implement the highest standards of corporate governance by reviewing and following up on the company's governance framework and ensuring its integrity in order to achieve better returns for shareholders and the sustainability of the company's business for the long term. The company's corporate governance framework is based on regulations and the laws in force in the United Arab Emirates (Federal Law No. 32/2021 regarding commercial companies and the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.) The Board was keen to ensure efficient performance in the decision-making process, and the Board allocated sufficient time to ensure that the company's strategy and vision are in line with the shareholders' expectations.

The Board of Directors conducts evaluations of its performance and the performance of its committees on an annual basis, presenting the results in the form of a report that includes recommendations for improving performance when necessary, in addition to a follow-up action plan.

Fujairah Cement Industries' compliance with the rules and standards of governance and their application mainly contributes to directing and monitoring the companies' business at the highest level in order to ensure the achievement of its objectives and to meet the necessary standards of responsibility, integrity, and transparency.





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الإمارات العربية المتحدة
تليفون: ٠٩-٢٢٢٣١١١
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The Board of Directors sought to provide good leadership, strategic oversight, an appropriate control environment, commitment to integrity and responsibility in the implementation of all activities, and the application of the highest standards of governance as a basis for fulfilling its responsibilities towards the company.

The application of the governance system with its advantages contributed to leading change and restructuring. This promotes improved performance and continuity, reduces risks, and supports accountability and transparency. The company has committed itself to apply the rules of disclosure and transparency in order to enhance trust, in accordance with the rules and standards that it follows in its practice of the concepts of good management and principles of governance, and this guarantees the preservation of the company's interests and the protection of shareholders' rights. Governance practices are applied in light of the regulations and instructions of the competent authorities. This is to improve the level of administrative organization and financial control due to the extreme importance of this in protecting the financial system from crises and providing protection for shareholders, as well as what is related to enhancing transparency, which is of utmost importance to the company's shareholders.

The Board of Directors of the company applies the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.





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فاكس: ٩-٢٢٢٧٧١٨
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2- Statement of the ownership and transactions of the board members, their spouses and their children in the Company' securities during 2022.

Name	Relation/title	Owned shares in 31/12/2022	Total sell processes	Total purchase processes
Sheikh/ Mohamed Bin Hamad Saif Al Sharqi	Chairman	Nil	Nil	Nil
Mr. Mohamed Ghaith Al Moheirbi	Vice-chairman	Nil	Nil	Nil
Mr. Abdul Ghafour Hashem Behroozian	Board member	17,849	Nil	Nil
Mr. Mohamed Sharief habib Mohammed Rafea Alawadhi	Board member	Nil	Nil	Nil
Mr. Fahd Ahmed Abdulla Al Shaer	Board member	Nil	Nil	Nil
Mr. Saeed Mobarak Al Zahmy	Board member	Nil	Nil	Nil
Mr. Waleed Abdulaziz Faqeeh	Board member	Nil	Nil	Nil
Mr. Abdulatif Saad Abdulatif Al Dousari	Board member	Nil	Nil	Nil
Mr. Mohamed Saeed Al Douisan	Board member	63,250	Nil	Nil
Mr. Khaled Abdulla Hussein Abdulla Al Fadala	Board member	Nil	Nil	Nil
Mr. Saad Abdulla Al Hanian	Board member	Nil	Nil	Nil

The transactions of the board of directors in the securities as per article (14) of the authority board of directors resolution no (2) of 2001 concerning the regulations as to trading, clearing, settlement, transfer of ownership, and custody of securities.

- The Chairman, the Board members, the General manager, and/or any employees with knowledge of company material information shall not trade, on their own, for their account through a third party, or in any other capacity for another account, in the Securities of the company or those of the mother, subsidiary, sister, or affiliate company, if the Securities of any of these companies are listed on the Market, during the following periods-

- Ten (10) working days prior to the announcement of any material information unless such information was the result of sudden or unforeseen events.
- Fifteen (15) days prior to the end of the quarterly, semi-annual, or annual financial period and until the financial statements have been disclosed.





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فاكس: ٠٩-٢٢٢٧٧١٨

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3- Board of director's composition.

The Board of Directors elected by the General assembly annual meeting on
18/06/2020.(2020-2022)

Name	Category	Qualifications	Their memberships and designations in other shareholding companies	Their designation in any other crucial supervisory, governmental or commercial bodies	Membership
Sheikh/ Mohamed Bin Hamad Saif Al Sharqi	Non- executive and independent	MA in Project Management	-	Chairman of Fujairah's E-Government- Fujairah Government representative	2008
Mr. Mohamed Ghaith Al Moheirbi	Non-executive and independent	University Graduate		Governmental works- Abu Dhabi government representative	1986
Mr. Abdul Ghafour Hashem Behroozian	Non-executive & Independent	University Graduate	Government business Chairman of Board of Directors of Fujairah National insurance	Fujairah government representative	1980
Mr. Mohamed Sharief habib Mohammed Rafeea Alawadhi	Non-executive & Independent	University Graduate	Board member of Fujairah national insurance	Director of Fujairah Free Zone Authority. Committee member for development and follow-up (FOIZ)	2017
Mr. Fahd Ahmed Abdulla Al Shaer	Non-executive & Independent	University Graduate	Government business	-	2014
Mr. Saeed Mobarak Al Zahmy	Non-executive & Independent	University Graduate	Lawyer- Board member of Fujairah national insurance	-	2014
Mr. Waleed Abdulaziz Faqeeh	Non-executive & Independent	University Graduate	Islamic Development Bank Representative Saudi Arabia	Economic advisor to Islamic Development Bank Saudi Arabia	2020
Mr. Abdulatif Saad Abdulatif Al Dousari	Non-executive & Independent	University Graduate	Executive Chairman of Spring United General Trading Co.	-	2017
Mr. Mohamed Saeed Al Dousan	executive	University Graduate	Businessman	Former Treasury manager of Central Bank of Kuwait	2020
Mr. Khaled Abdulla Hussein Abdulla Al Fadala	Non-executive & Independent	University Graduate	Representative of the Public institution for social security- Kuwait	Vice-General Director of the Public institution for social security- Kuwait	2020
Mr. Saad Abdulla Al Hanian	Non-executive & Independent	University Graduate	Vice-chairman of board of directors - Bayt Co. Chairman of Board of Directors of Saudi Projects Holding Co.		2008



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B- Women Representation Percentage in Board of Directors for 2022.

No women are represented on the Board of Directors for 2022.

C) Reasons for lack of women nomination for Board of Directors membership.

The current Board of Directors was elected on 18/06/2020. No woman applied for a nomination.

D/ 1) Board of Director's total paid remunerations for 2021:-

- No remunerations were paid to the members of the Board of Directors for the fiscal year 2021.

2- Board of Directors' total proposed remunerations for 2022 to be presented at the General Assembly Meeting for approval.

- Not yet proposed and shall be presented to the Annual General Assembly 2022.

3- Details of allowances received by Board members for attending Board of Directors and Committees meetings for 2022.

- No allowances were paid for attending meetings of committees arising from the Board of Directors for the fiscal year 2022. The number of meetings of the Board of Directors committees is shown in Clauses 5/C and 6/C.

4- The details of the attendance allowances, salaries, and additional fees received by the board member other than attending the committee meetings with reasons:-

- No additional allowances, salaries, or fees were paid for the fiscal year 2022.



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فاكس: ٩-٢٢٢٧٧١٨
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E) Number of Board of Directors meetings held during the financial year 2022, their dates, and the number of times of attendance.

Board of Directors Meetings Attendance for 2022

Name	capacity	1 st	2 nd	3 rd	4 th
		24-02-2022	12-05-2022	11-08-2022	10-11-2022
Sheikh/ Mohamed Bin Hamad Saif Al Sharqi	Chairman of the board	✓	✓	✓	✓
Mr. Mohamed Ghaith Al Moheirbi	Vice-Chairman of the board	✓	x	x	x
Mr. Abdul Ghafour Hashem Behroozian	Member	✓	✓	✓	✓
Mr. Mohamed Sharief habib Alawadhi	Member	✓	✓	✓	✓
Mr. Saeed Mobarak Obaid Al Zahmy	Member	✓	✓	✓	✓
Mr. Fahd Ahmed Abdulla Al Shaer	Member	✓	✓	✓	✓
Mr. Waleed Abdulaziz Faqeeh	Member	✓	✓	✓	✓
Mr. Abdulatif Saad Abdulatif Al Dousari	Member	x	✓	x	x
Mr. Saad Abdulla Al Hanian	Member	✓	✓	✓	✓
Mr. Khaled Abdulla Hussein Abdulla Al Fadala	Member	✓	✓	✓	x
Mr. Mohamed Saeed Al Dowisan	Member	✓	✓	✓	✓

(F) The number of the resolutions of the board of directors passed during the fiscal year 2022 with the dates thereof.

- NIL

(G) Board of Directors tasks and responsibilities delegated to the Executive Management (the powers).

- The Board of Directors has not delegated any of their tasks to either Board Members or the Executive Management.

The executive Management powers are as follows:

- Manage FCI business activity and provide directives to the executive body in line with FCI strategic objectives and policies decided by the Board of Directors, provisions of law, and other legislation related to FCI business and activity.
- Provide the Board of Directors with precise periodical reports on FCI financial positions, business, and actions taken in respect of risk management and internal control system to enable the Board to review the set objectives, plans, and policies and hold the Executive Management accountable for their performance.
- Submit recommendations in connection with any proposals they deem appropriate to FCI business.
- Provide supervisory bodies with any required information, data, and documents by provisions of law, regulations, instructions, and decisions in pursuance to either of which they are issued.



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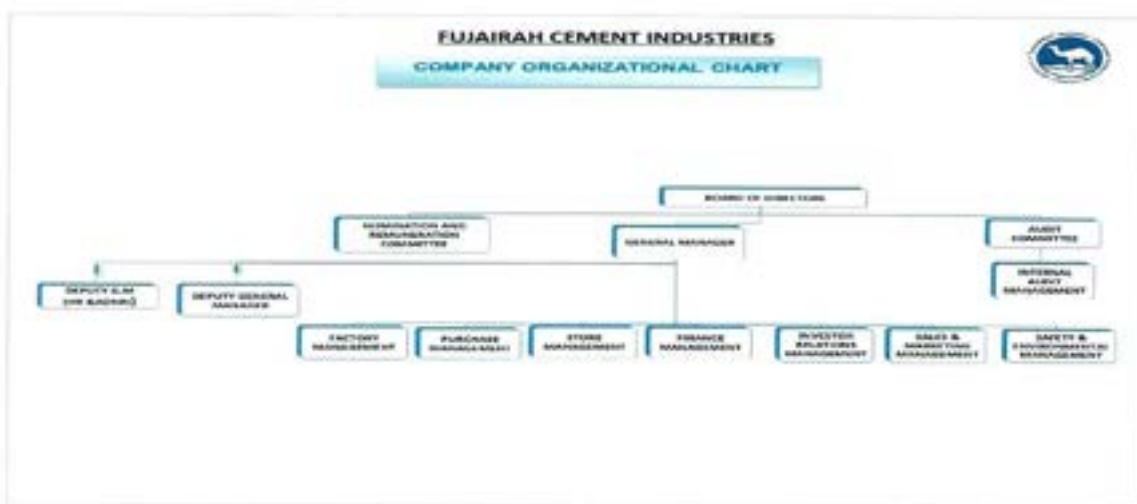
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ص.ب: ٦٠٠ - الفجيرة
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فاكس: ٩-٢٢٢٧٧١٨
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H) Dealings conducted with related parties (Stakeholders) during 2022 showing the nature of the relationship and type and amount of dealing.

No dealings have been conducted with related parties (stakeholders).

I) Company Organizational Structure (31/12/2022)



J) Statement of FCI Senior Executive Officers' salaries and remunerations for 2022

S	Office	Appointment date	Total Annual Salary including allowances	Remuneration for 2022	Other cash or in kind remunerations for 2022 or due in the future
1	General manager	01/04/1981	3,706,680	NIL	NIL
2-	Deputy General manager	01/03/2016			
3-	Deputy General manager for Administrative Affairs	23/05/1983			
4-	Finance Manager	09-12-2015			
5	Works Manager	18/02/2007			
6	Deputy Works Manager	16/12/2012			
7	Sales & Marketing Manager	11-04-2021			
8	Internal Audit Manager	12/02/2012			
9	Investor Relations Management Manager	19/07/2011			



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تليفون: ٩-٢٢٢٣١١١
فاكس: ٩-٢٢٢٧٧١٨

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4) External Auditor

A- Talal Abu Ghazala International, a holding company containing a group of professional companies, a reputable worldwide accounts, financial and professional auditors, and consultants firm since its foundation 33 years ago, Talal Abu Ghazala employs groups of highly qualified and well-experienced Arab professionals, existing in every Arab capital city to provide the experts services on the financial and industrial matters to meet the requirements of customers. They all form a professional group, at the international level; it provides different services in the business field. The institution started its activities about Thirty-three years ago and practices its activities now under the name and by the vision approved by Talal Abu Ghazala International, It started as an institution that provides chartered accountants, accounts auditors, financial services for the business community in the Arab Gulf.

The external audit firm is independent of FCI and its Board of Directors, practicing accounting audit, verifying financial statements, and controlling FCI accounts for the fiscal year in which it has been appointed. The firm, for the sake of performing the duties, shall have the right of access at any time to all FCI books, records and documents and to request statements and notes that it deems necessary to obtain. The firm may verify FCI assets and liabilities.

The external auditor attends General Assembly meetings, verifies procedures followed in calling for the meeting, and provides his opinion on financial statements as to whether there are any violations of the provisions of FCI Articles of Incorporation, Companies Law, or General Assembly resolutions that might have taken place during the fiscal year.

B-

Audit firm name:	Talal Abu-Ghazala & Co. International
The number of years spent as an external auditor for FCI:	4
The partner auditor's name:	Ali Hassan Shalabi
The number of years spent as a partner auditor for FCI accounts:	3
The partner auditor name:	Zaid Ali Musleh
The number of years spent as a partner auditor for FCI accounts:	1
Total financial statements audit fees for 2022:	AED 240,000/=
Other special service fees and costs rather than financial statements audit for 2022:	NIL
Details and nature of the other provided services:	NIL
Other services delivered during 2022 by another auditor rather than FCI auditor:	No other external auditor

C- No reservations have been incorporated by the external auditor in the interim or annual financial statements for 2022.





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فاكس: ٠٩-٢٢٢٧٧١٨

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5- Audit Committee.

(A)- Declaration of Head of Audit Committee of his responsibility for the committee system of the company and that he checked the mechanism of its work and efficiency.

Mr. Fahad Ahmed Al Shaer, head of the Audit Committee, declares that he is responsible for the committee system of the company and that he checked the mechanism of its work and efficiency.

B) Names of Audit Committee members and statement of competencies and tasks assigned to the Committee.

Name	capacity	Category	Experience	Membership
Fahd Ahmed Abdulla Al Shaer	Member	Nonexecutive& Independent	University graduate/ government business -a member of National Takaful Board.	2014
Saad Abdulla Al Hanian	Member	Nonexecutive& Independent	University graduate/Chairman of Board of Directors of Bait Company/ Vice-chairman of Board of Directors of Saudi Projects Holding Group	2008
Abdulatif Saad Abdulatif Al Dousari	Member	Nonexecutive& Independent	University Graduate/ Executive Chairman of Spring United General Trading Co	2017
Khaled Abdulla Hussein Abdulla Al Fadala	Member	Nonexecutive& Independent	University Graduate/ Vice-General Director of the Public institution for social security- Kuwait	2020

The Objectives of the of Audit Committee:

The objective of the Audit Committee is to support the Board of Directors in respect of its responsibility towards shareholders in connection with auditing FCI financial information and matters regularly related to corporate governance to ensure the effective utilization of available resources. Moreover, it controls and follows up the independence of the auditor and whether he is objective and reviews the internal control systems.

- **The Audit Committee undertakes all competencies and tasks contained in Article (61) of the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.**





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فاكس: ٠٩-٢٢٢٧٧١٨

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C) The number of Audit Committee meetings and members' attendance 2022:

Audit Committee Meeting Attendance for 2022

Name	Capacity	1 st	2 nd	3 rd	4 th	5 th
		24-02-2022	12-05-2022	25-07-2022	11-08-2022	10-11-2022
Mr. Fahd Ahmed Abdulla Al Shaer	Head of the committee	✓	✓	✓	✓	✓
Mr. Saad Abdulla Al Hanian	Member	✓	✓	✓	✓	✓
Khaled Abdulla Hussein Abdulla Al Fadala	Member	✓	✓	✓	✓	X
Abdulatif Saad Abdulatif Al Dousari	Member	X	✓	✓	X	X

6-Nominations and Remunerations Committee:-

A) Declaration of Head of nomination & remunerations committee of his responsibility for the committee system of the company and that he checked the mechanism of its work and efficiency.

Mr. Abdul Ghafour Hashem Behroozian, head of the nomination & remunerations committee declares that he is responsible for the committee system of the company and that he checked the mechanism of its work and efficiency.

B) Nomination & remunerations committee composition.

Name	capacity	Category	Experience	Membership
Mr. Abdul Ghafour Hashem Behroozian	Chairman of the Committee	Nonexecutive & Independent	University Graduate/ Government business- Chairman of Board of Directors of Fujairah National insurance	1980
Mr. Mohamed Sharief habib Mohammed Rafeea Alawadhi	Member	Nonexecutive & Independent	University Graduate/ Director of Fujairah Free Zone Authority- Fujairah, Board member Of Fujairah Foundation for Regions Development	2017
Mr. Saeed Mobarak Al Zahmy	Member	Nonexecutive & Independent	University Graduate/ Lawyer- Board member of Fujairah national insurance	2014



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The Objective of the Nomination & remunerations committee

The objective of the Nomination and Remunerations Committee is to determine nomination policies and criteria for Board of Directors membership, periodical review of the Board's requirements for capabilities, ensure the independence of independent members, and prepare policies for the human resources including aspects of conflict of interests, membership of other companies' Board of Directors together with preparing policies for awards, benefits, incentives, and salaries relating to the Board members and staff and review such policies on annual basis.

- The Nomination Committee undertakes all competencies and tasks contained in Article (59) of the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.

C) - The number of Nominations and Remunerations Committee Meetings and members attendance in person in 2022.

Nominations and Remunerations Committee Meetings Attendance for 2022

Name	Capacity	1st 23-02-2022
Mr. Abdul Ghafour Hashem Behroozian	Chairman of the Committee	√
Mr. Saeed Mobarak Al Zahmy	Member	√
Mr. Mohamed Sharief Habib Mohammed Rafea Alawadhi	Member	√

7- The supervision and Follow-up Committee of insiders' transactions.

A- Mr. Khalil Saeed Obaid Al Nuimi - chairman of the insiders' dealings follow-up and supervisory committee declares that he is responsible for the system of the committee in the company and that he reviewed the mechanism of its work and checked its efficiency.

B-Names of committee members:-

- 1- Mr. Khalil Saeed Obaid Al Nuimi.
- 2- Mr. Ashraf Abdulkader Al Sayed.

The committee is responsible for following up and supervising insiders' dealings and properties and maintains a register in their respect.

C- Summary of tasks undertaken during 2022

- 1- Updating FCI list of insiders on the Website of Financial Market continually.
- 2- Notifying FCI insiders of the prohibition periods of their trading in FCI securities each in due course.
- 3- Continuous follow-up of FCI insiders' trading movement
- 4- Furnish the authority and stock market with the updated list at the beginning of the fiscal year.



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فاكس: ٩-٢٢٢٧٧١٨
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- The supervision and Follow-up Committee insiders' transactions undertakes all competencies and tasks contained in Article (33) of the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.

8- There is no other committee or committees approved by the Board of Directors.

9) Internal Audit System

- The Board of Directors acknowledges its responsibility for FCI's internal audit system for reviewing the system's operational mechanism and ensuring its efficiency.

FCI has established an effective Internal Audit Department. Ramakrishnan Subramanian, the head of the Department, Compliance officer, Chartered Accountant and holder of BA in Corporate Secretaryship was appointed on 12-02-2012 along with three professionally qualified and experienced assistants.

- The Department aims at implementing a precise and robust system dealing with delivering and developing departmental performance efficiency and FCI operations efficiency and FCI internal control in terms of continuous auditing operational results, examining financial records, assessing internal control system and assisting Senior Management with enhancing FCI operations efficiency and effectiveness in respect of discovering manipulation and monitoring errors in FCI financial system.

- The company's Internal Audit Department performs its duties following Article (68) of the decision of the Securities and Commodities Authority Board of Directors No. 3 / R.M for the year 2020 regarding the adoption of the Governance Guide for Public Joint-stock Companies and its amendments . The Department has the independence sufficient to perform its tasks and directly report to the person in charge of the internal audit system. FCI adopts implementation of international standards of internal audit towards efficiently achieving the required objectives and more cost-effective as reflected in the bases of internal audit for ensuring the following:-

- 1- Reasonability and conformity of information and data.
- 2- The extent of consistency with policies, plans, procedures, regulations, laws and instructions.
- 3- Extent of safeguarding FCI assets and property.
- 4- Extent of consistency of set activities, operations, and programs with the set purposes and objectives and ensure being applied by supervisory bodies according to the set plans





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and objectives. The Internal Audit Department prepares an annual control plan in liaison with the Audit Committee and Departmental Managers or Heads of other FCI Sections.

The Internal Audit Department Manager submits detailed reports to the Board of directors on internal audit system assessment demonstrating and providing proposals for bridging gaps in the internal audit system periodically when required at any time as he deems as the exigencies of such assessment may so require.

Concerning the internal audit department dealing with FCI major issues or those disclosed in reports and annual accounts, the internal audit department implements governance rules and constantly verifies compliance with the provisions of law and decisions that may bridge gaps in the internal audit system through adhering to the following:

- 1) Basic control including control over financial affairs, operations, and risk management
- 2) Ensure FCI's ability to respond to changes in their business and external environment.
- 3) The extent of implementing international regulations, procedures, policies, and submission of necessary reports to both the Audit Committee and Board of Directors.

- The audit department has not recorded any major violations or problems within FCI during 2022
- 4 reports were issued by the internal audit department to the Board of Directors during the fiscal year 2022.

10- No violations have been committed during the year ended 31/12/2022.

11- FCI contribution for 2022 to the local community development and safeguarding of the environment:

Fujairah Cement Industries 'contributions to society and the environment varies to include in-kind and monetary contributions in various fields that support the sustainability of the individual ,the environment, and the surrounding community:-

Cash contributions:-

- FCI, through the Court of the Emir of the Ruler of Fujairah ,supports low-income citizens with 5000 bags of cement for home maintenance work to maintain a decent life for the Emirati individual.
- FCI, contributed to the sponsorship of the 11th Urban Environment Conference 2022 in Fujairah with an amount of AED 50,000/-
- FCI, contributed to the sponsorship of the International Natural Resources Exhibition 2022 in cooperation with Fujairah Natural Resources Corporation with an amount of AED 30,000.





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المكتب الرئيسي المكتب الرئيسي

ص.ب: ٦٠٠ - الفجيرة
الإمارات العربية المتحدة
تليفون: ٠٩-٢٢٢٣١١١
فاكس: ٠٩-٢٢٢٧٧١٨
البريد الإلكتروني: hofci79@fciho.ae

-FCI, contributed with the participation of Dibba Al Fujairah Municipality in organizing the 51st National Day celebrations with an amount of AED 10,000.

-FCI, participated in the Middle East Manufacturing & Technology Exhibition 2022 in the Emirate of Abu Dhabi with AED 5,000.

In-kind contributions:-

-FCI contributed to the support of the low-income nationals by assisting them in meeting their cement needs.

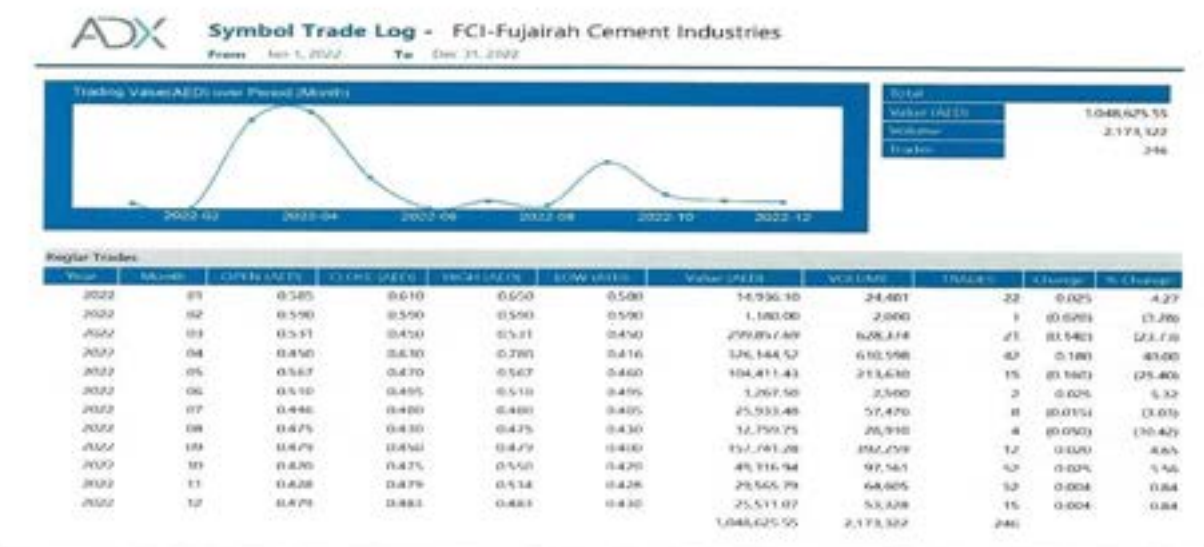
-FCI contributed to the provision of professional training for university students in different scientific fields.

-FCI carried out road repair works between Dibba and Al Taween and reforested the whole roads in order to preserve the environment.

- FCI exerts big efforts to reduce the emissions of the dust resulting from trucks that transport the raw material from the quarry to the factory and within the factory by using friendly environment chemicals for the unpaved roads.

-FCI ensures to provide a safe and healthy environment for all employees by following the professional security and safety rules and training the employees in all fields of security, safety, public health, and first aid.

-FCI is committed to maintain a clean surrounding environment and monitoring the air quality by using the emission measurement devices in the air, and prepare and deliver the reports to the ministry of environment to achieve a friendly environment cement industry.

12- General Information:-**A) Monthly share price for 2022**



HEAD OFFICE

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UNITED ARAB EMIRATES
Tel.: 09-2223111
Fax: 09-2227718
Email: hofci79@fciho.ae

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المكتب الرئيسي المكتب الرئيسي

ص.ب: ٦٠٠ - الفجيرة

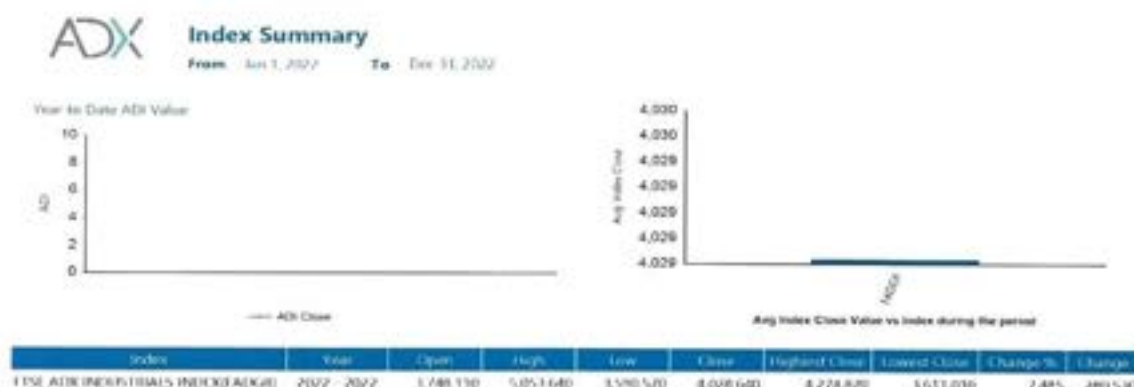
الإمارات العربية المتحدة

تليفون: ٠٩-٢٢٢٣١١١

فاكس: ٠٩-٢٢٢٧٧١٨

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B) Performance of FCI share compared with General Market and Sector Index for 2022



C) Shareholders' Ownership Distribution on 31/12/2022

Share classification	Individuals	Companies	Government of (Fujairah & Abu Dhabi)	Total
Local	66,658,750	7,181,488	87,341,925	161,182,163
Arab	64,464,780	129,543,792	-----	194,008,572
Foreigner	664,585	10,000	-----	674,585
Total	131,788,115	136,735,280	87,341,925	355,865,320

D- Shareholders who own 5% or more of FCI capital as of 31/12/2022.

	Number Shares	% Capital
-Government of Fujairah	82,541,250	23.194%
-Nasser Ali Mohamed Khammas	59,635,524	16.758%
- Wafra International Investment/ Clients	40,753,991	11.452%
-National Investment Company	28,204,323	07.926%
-Islamic Development Bank-KSA	25,300,000	07.109%



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E- Shareholders Distribution according to the amount of ownership as of 31/12/2022.

S	Share ownership	Number of Shareholders	Number of owned shares	Owned share percentage of capital
1	Less than 50,000	1300	7,861,628	2.21%
2	From 50,000 to less than 500,000	148	22,184,883	6.23%
3	From 500,000 to less than 5,000,000	37	53,474,873	15.03%
4	More than 5,000,000	9	272,343,936	76.53%
	Total	1494	355,865,320	100%

F) Actions taken in respect of investors relations disciplines:

- The accountant Ashraf Abdul Kader Al Sayed has been appointed to be responsible for all tasks related to investors relations subject , he enjoys the stipulated requirements contained in Article (51) Item (1) of the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.
- FCI website has been fully updated in both Arabic and English languages. A page for the investors has been dedicated, updated and maintained continually in line with the international standards including all means of communication with the Investors Relations Department.
- FCI is committed to publishing information and data being disclosed to supervisory bodies, markets, or the public on the FCI website.
- Investors Relations Department Contacts:
Telephone: 0097192223111, Fax: 0097192227718, P.O: 600 Fujairah- Email: hofci@fciho.ae.
- Investors Relations page link on FCI website:
www.fujairahcement.com/ar/fci/investor-relations-ar.
www.fujairahcement.com/ar/fci/investor-relations.
- The investors relations management undertakes all competencies and tasks contained in Article (51) of the authority chairman resolution no. (3/R.M) of 2020 concerning the approval of the Joint Stock Companies Governance Guide and its amendments.

G) There were no special resolutions passed to the General assembly convened during 2022.

H) Name and date of appointment of the Reporter of Board of Directors meetings.

Mr. Abdulla Ahmed Ali Al-Humaidi- 01-02-2021.



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I) Key Events during 2022:

- Renewal of accreditation certificates:
- ISO-9001:2015 Quality Assurance Accreditation Certificate
- ISO-45001:2018 Occupational Safety and Security Management Certificate
- ISO-14001:2015 Environmental Management Certification
- Visit the Indian Standards Authority to obtain conformity of the company's products with the requirements of the Indian market.
- Visit the Fujairah Environment Authority.
- Visiting the inspection company to ensure the safety of procedures for using coal dust as an alternative fuel.
- Distributing Iftar meals for fasting people in cooperation with the Beit Al-Khair Charitable Association.
- Celebration of national events:
- Flag Day
- Commemoration Day
- 51st National Day
- Attending and contributing to the Middle East Exhibition for Manufacturing and Technology in Abu Dhabi.
- Attending and contributing to the Eleventh Conference on the Environment of Cities in Fujairah.
- Technical training for UAE university students in various engineering sections.
- Training of the company's employees in various fields:
- A workshop for engineers at the Mechanical section in Dubai.
- A workshop for engineers at the Instrumentation and Control Department in Dubai.
- Training workers inside the factory to fight fires.
- Signing an agreement for the use of alternative fuels (RDF) in cooperation with the Ministry of Environment and Climate Change and the Emirates Alternative Fuels Company.
- Attending meetings to discuss how to use Alternative Fuels (RDF) sponsored by Fujairah Municipality and Fujairah Environment Authority.
- Calibration of air quality measuring devices.
- Developing the green belt in the quarries area.

J- A statement of the deals that the company made with related parties during the year 2022, which are equal to 5% or more of the company's capital.

• NIL



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ص.ب: ٦٠٠ - الفجيرة

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فاكس: ٠٩-٢٢٢٧٧١٨

البريد الإلكتروني: hofci79@fciho.ae

J) Emiratization Percentages:

- 1- Emiratization Percentage for 2020: 15 %
- 2- Emiratization Percentage for 2021: 15 %
- 3- Emiratization Percentage for 2022: 15 %

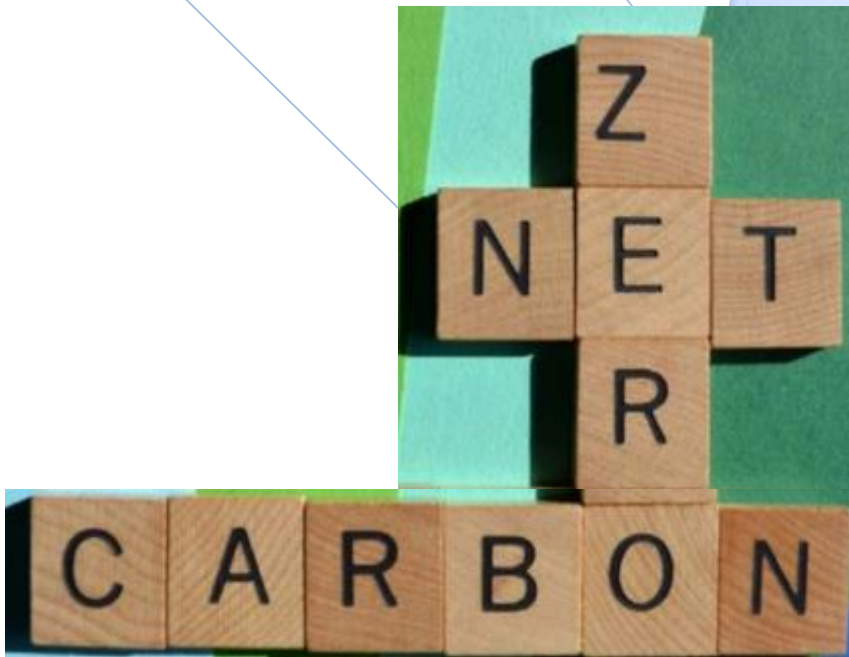
K) FCI innovative Projects and Initiatives

- By 2023 FCI is planning to replace 40 % of coal consumption by RDF as an alternative fuel to reduce the GHG emissions.
- FCI shall be introduced to INDIA market after the approval of Bureau of Indian standards for our products which will improve FCI market and sales.
- FCI is in the process of implementing ISO-17025:2017, Laboratory Management System, in its Quality Lab which will help in achieving better quality Clinker and Cement for Global marketing as a part of business strategy.
- Fujairah Environmental Authority (FEA) will have the online access to FCI emission measurements system.

Internal Auditor
Head of Nomination and Remunerations Committee
Head of Auditing committee
The chairman**Mohamed Bin Hamad Saif Al Sharqi**


For a review of the FCI Governance Report for 2022, please visit the following websites:

- Fujairah Cement Industries www.fujairahcement.com
- Abu Dhabi Securities Exchange www.adx.ae



SUSTAINIBILITY REPORT-2022

(ENVIRONMENTAL, SOCIAL & GOVERNMENT DISCLOSURE-2022)

FUJAIRAH CEMENT INDUSTRIES

PJSC , P.O BOX:11477,DIBBA,

FUJAIRAH,

UNITED ARAB EMIRATES

DECEMBER- 2022



Chairman's Message



Sheikh Mohammed bin Hamad bin Saif Al Sharqi

As the Chairman of Fujairah Cement Industries, I am pleased to share the 2022 Sustainability Report which demonstrates the company's commitment to take all measures that will achieve the sustainable development goals by improving the quality of our products while preserving environmental wealth and effective community contribution.

Fujairah Cement Industries is proud of its excellence in achieving the Sustainable Development Goals (SDGs) in our belief that achieving sustainability is the main pillar on which the trust of customers, employees, suppliers and the local community in Fujairah Cement Industries is built.



General Manager's Message



Mr. Nasser Ali Khammas

On behalf of Fujairah Cement Industries, I am pleased to share the sustainability report for 2022, which reflects the company's efforts in achieving the sustainable development goals through the company's keenness to invest meaningfully in improving the quality of our products using the latest technological means that contribute to preserving the environment from the harmful effects resulting from the industry, and this report presents the most prominent strategies used to achieve the highest levels of sustainability.



❖ **About the company:**

Fujairah Cement Industries PJSC was established in the Emirate of Fujairah on December 20, 1979, with a capital estimated at AED 555 million by Decree No. 3/79 issued by His Highness Sheikh Hamad bin Mohammed Al Sharqi, Ruler of the Emirate of Fujairah (may God protect him), and its Board of Directors is currently chaired by His Highness Sheikh Mohammed bin Hamad bin Saif Al Sharqi (may God protect him), and the General Manager of the company is Mr. Nasser Ali Khammas Al Yammahi.

The company's head office is located in the Emirate of Fujairah, and the factory is located in the city of Dibba Al-Fujairah, the Fujairah Cement plant consists of two production lines with a production capacity of 4 million tons per year, and 2.4 million tons of cement per year.

Fujairah Cement Industries works to meet the needs of the local and Gulf market of high-quality cement products such as:

- Ordinary Portland cement
- Salt-resistant Portland cement
- Portland cement is medium resistance to salts
- Ordinary Portland clinker
- Salt-resistant Portland clinker
- Portland clinker medium resistance to salts



Fujairah Cement Industries uses the latest cement production methods and centralized monitoring of the production process, environmental emissions and energy consumption to ensure the quality of products while preserving the safety of the environment and rationalizing the consumption of natural resources and energy.

❖ **About sustainability:**

Sustainable development has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their own and future needs, and sustainable development also calls for concerted efforts in order to build a better future for humanity and the planet, and to achieve sustainable development there must be three basic elements:

- **Economic Growth**
- **Social Inclusion**
- **environmental protection**

❖ **The United Nations 2030 Agenda:**

In September 2015, world leaders at a historic UN summit adopted the 17 Sustainable Development Goals (SDGs) and their 169 targets for the 2030 Agenda for Sustainable Development, to be implemented from January 2016. The SDGs build on the eight Millennium Development Goals (MDGs), which seek to end extreme poverty, halt the spread of AIDS and provide primary education to all children by 2015. It was agreed that over the next fifteen years States would exert efforts to eliminate Poverty in all its forms, fighting inequality and tackling climate change, with the inclusion of all.



❖ **The UAE's Sustainability Agenda:**

The UAE is focused on achieving the Sustainable Development Goals (SDGs) that will enable access to clean energy, access to adequate and affordable food, quality education, healthcare, sustainable economic growth, sound ecosystems, and increased resource efficiency as issues that resonate strongly in the UAE. The UAE has also pledged to "leave no one behind" and to take the world down a sustainable and resilient path.

❖ **Fujairah Cement Industries' vision towards achieving sustainability in various fields:**

Fujairah Cement Industries puts sustainability at the top of the company's agenda, recognizing the importance of sustainability for the individual and society, in line with the UAE's sustainability agenda and in line with the United Nations Vision 2030 for sustainable development.

This report presents the efforts exerted by Fujairah Cement Industries in order to achieve the sustainable development goals in various areas related to the performance of the company and the industry.



❖ **The performance of Fujairah Cement Industries in various fields towards sustainability:**

1. Environmental Performance:

Fujairah Cement Industry is keen to take all necessary measures to reduce the effects resulting from the industry in various fields through periodic monitoring and measurement and work to reduce environmental damage and pollution and improve the use of natural resources to maintain their sustainability, and the following is a presentation of the efforts made by the company in the field of environmental sustainability in various fields:

❖ **Air Quality Monitoring:**

Fujairah Cement Industries takes all necessary measures to monitor ambient air quality and ensure the safety of the work environment and has obtained international accreditation in the field of environmental management **ISO-14001:2015**

Procedures followed to ensure air quality within the company:

- Installation of air quality and dust measuring devices surrounding the factory and quarry area
- Periodic calibration of measuring devices to ensure the accuracy of measurements and ensure their compliance with state standards.
- Periodic change of filters used in the cement manufacturing process to purify the air from dust.



❖ **Reducing greenhouse gas emissions:**

Total greenhouse gas emissions are 0.310 kg carbon dioxide per ton of clinker, and Fujairah Cement Industries is keen to reduce these emissions in accordance with the United Nations Convention on Climate Change and in line with the objectives of the UAE strategy to reach zero emissions by 2050 by:

- **The use of alternative fuels in the combustion process.**
- **Work to increase the green spaces in the factory and the quarry area.**
- **Using the latest technologies in the cement production process with the lowest carbon emissions.**

- Fujairah Cement Industries in cooperation with the Ministry of Environment and Climate Change and Emirates Fuel Company

Alternative RDF to take the initiative to sign an agreement to use RDF fuel as an alternative to coal in the cement production process.

- Fujairah Cement Industries, in cooperation with Tadweer, replaces 10% of coal using dust

Carbon produced as waste for the aluminum industry as an alternative fuel to coal, which contributes to reducing coal consumption, which in turn is the main factor in increasing greenhouse gas emissions.

- Fujairah Cement Industries has developed the green belt in the quarry area and the factory has planted nearly 15,000 trees to reduce dust and increase the level of oxygen in the air.



❖ **Water Resources Management:**

Fujairah Cement Industries is always keen on the constant economy in the consumption of resources

Water consumption is limited to the necessary needs in the conduct of the industrial process, such as cooling equipment and human consumption for workers, and water used for agricultural purposes is recycled by drip and steam production used in the production of electrical energy from the power plant.

- **Fujairah Cement Industries' total water consumption is 1000 cubic meters per day**

❖ **Raw Material Management:**

Fujairah Cement Industries is keen to economize on the extraction of raw materials in a way that ensures sustainability of natural resources. It also continuously works to study the available alternatives to natural resources for raw materials and fuel in order to ensure the sustainability of natural resources and does not harm the quality of cement products.



❖ **Industrial Waste Management:**

Fujairah Cement Industries is characterized by dedicating all its efforts to reach a green industry

"Zero waste" by recycling industrial waste and exploiting it in various fields, for example:

- A. Use used tires and wood waste as fuel and avoid burials.
- B. Using waste filters and oils used in combustion processes as alternative fuel.
- C. Reuse of waste thermal insulation bricks used inside furnaces in aesthetic works.

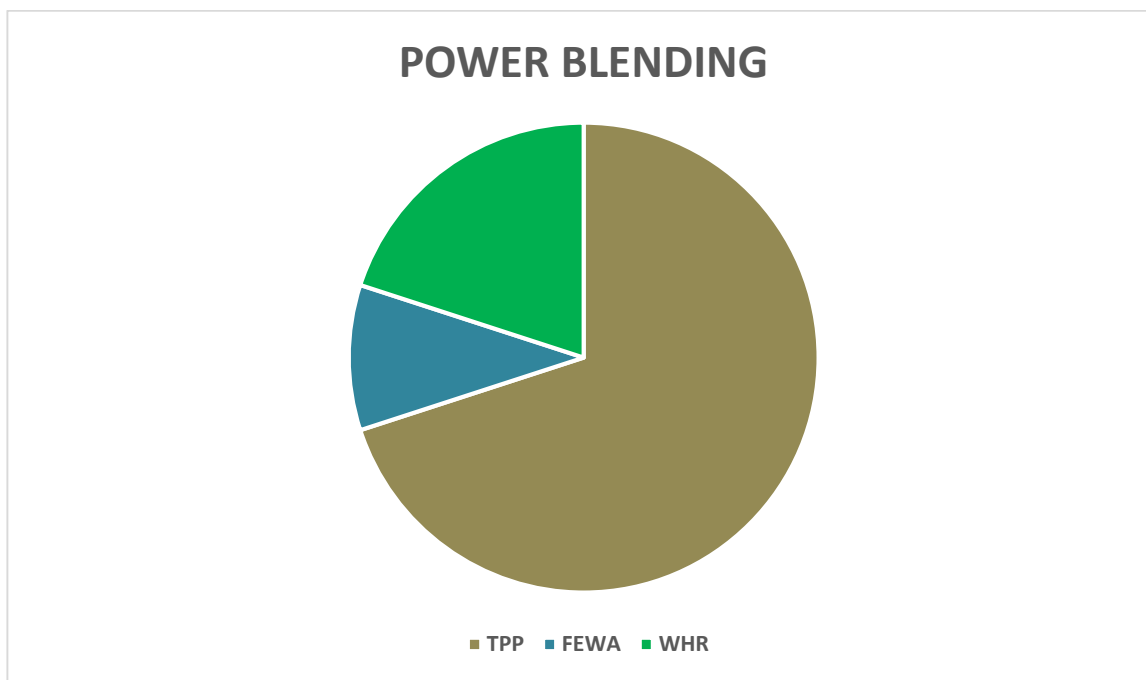
2. Economic Performance:

Fujairah Cement Industries devotes all scientific and technical efforts and practical experiences towards responsible production, economy in the consumption of natural resources, diversification of energy sources, recycling of wasted energy and industrial waste resulting from the manufacturing process.

- **Electric Power:**

The average consumption of the electric power plant is **75 kW per ton of clinker**. Fujairah Cement Industries always seeks to reduce the consumption of direct electrical energy, which depends in its production on the consumption of carbon fuel coal, so Fujairah Cement Industries adopted the method of blending electrical energy by establishing an electric power plant from combustion exhaust gases in the industry.

- **Blending Power:**





- **Thermal Power:**

The cement industry depends mainly on the use of thermal energy in the process of combustion of raw materials for the production of cement inside the furnaces, and coal is the main economic source of thermal energy, but the use of coal in the combustion process results in many environmental damages, so Fujairah Cement Industries has been keen on research and development in the industrial process to reduce the use of coal until reaching its complete replacement with environmentally friendly and less harmful energy sources:

- **The initiative to sign an agreement for the use of alternative fuels in cooperation with the Ministry of Environment and Climate Change and the Emirates Alternative Fuels Company RDF in 2022**
- **Using carbon dust as waste from the aluminium manufacturing process as an alternative fuel in collaboration with EGA and Tadweer**
- **Reuse of factory waste such as filter fabrics, tires, wood and spent oils as alternative fuels.**
- **Monitor and develop the production process to reduce the fuel consumption required for the combustion process**



3. Community Performance:

Fujairah Cement Industries places social responsibility on its shoulders, which

Serves the community, contributes to its sustainability and development, raises the level of the individual and society, and preserves its security and health, believing that the individual is the basic building block in building society.

❖ Contributions of Fujairah Cement Industries towards the surrounding environment:

Fujairah Cement Industries is always keen to preserve the surrounding environment and minimize the impacts

Harmful to the industry on the surrounding environment, which ensures the health and safety of members of the surrounding community through the following activities:

- **Developing the green belt and increasing the green spaces surrounding the factory and the quarry area to reduce dust emissions.**
- **Spraying environmentally friendly chemicals on dirt roads to reduce the spread of dust resulting from the transfer of raw materials from quarries to the factory.**
- **Contribute and sponsor the Eleventh World Conference on Urban Environment 2022 in cooperation in Fujairah.**
- **Contribution to the Middle East Manufacturing and Technology Exhibition in Abu Dhabi 2022.**



❖ **Contributions of Fujairah Cement Industries towards the community:**

Fujairah Cement Industries appreciates its responsibility towards the local community and works with all its resources in the service of the community to ensure the advancement of the individual and maintain human resources and effective national cadres in the community.

- **Training university students in various practical fields according to their specializations of study and preparing them for the labor market.**
- **Encourage employees to participate in national events and celebrations held in various local forums.**
- **Cash contribution to various local institutions.**
- **In-kind support for low-income individuals to facilitate the establishment of their own homes in cooperation with the Fujairah Ruler's Court.**



❖ **Contributions of Fujairah Cement Industries towards employees:**

Fujairah Cement Industries believes that the individual is the main pillar in building society and that investing in building the individual is what ensures the sustainability of the economic process towards a better future, and from this point of view, Fujairah Cement Industries is working to motivate its employees of both sexes to integrate into society and self-development and contribute to this through:

- **Encourage and encourage employees to participate in various scientific forums and national celebrations.**
- **Providing training programs for employees in various professional disciplines.**
- **Providing practical training courses within the facility such as security, safety and firefighting training.**
- **Support, encourage and reward employees for their scientific and practical achievements.**



❖ Fujairah Cement Industries in -kind and cash Contributions:

Fujairah Cement Industries 'contributions to society and the environment vary to include in-kind and monetary contributions in various fields that support the sustainability of the individual ,the environment and the surrounding community :

- Fujairah Cement Industries ,through the Court of the Emir of the Ruler of Fujairah ,supports low-income citizens with **٥,٠٠٠ bags of cement** for home maintenance work to ensure a decent life for the Emirati individual.
- Fujairah Cement Industries contributed to the sponsorship of the 11th Urban Environment Conference ٢٠٢٢ in Fujairah with an amount of **AED ٥٠,٠٠٠** .
- Fujairah Cement Industries contributed to the sponsorship of the International Natural Resources Exhibition ٢٠٢٢ in cooperation with Fujairah Natural Resources Corporation with an amount of **AED 30,000**.
- Fujairah Cement Industries contributed with the participation of Dibba Al Fujairah Municipality in organizing the fifty-first National Day celebrations with an amount of **AED 10,000**.
- Fujairah Cement Industries participated in the Middle East Manufacturing & Technology Exhibition ٢٠٢٢ in the Emirate of Abu Dhabi with **AED 5,000**.



❖ FCI Future Projects and Innovations:

Fujairah Cement Industries always seek the opportunity for improvements and innovative projects which will help in achieving the sustainability of the environment and natural resources.

- By 2023 FCI is planning to replace 40 % of coal consumption by RDF as an alternative fuel to reduce the GHG emissions.
- FCI shall be introduced to INDIA market after the approval of Bureau of Indian standards for our products which will improve FCI market and sales.
- FCI is in the process of implementing ISO-17025:2017, Laboratory Management System, in its Quality Lab which will help in achieving better quality Clinker and Cement for Global marketing as a part of business strategy.
- Fujairah Environmental Authority (FEA) will have the online access to FCI emission measurements system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURE-2022
FUJAIRAH CEMENT INDUSTRIES PJSC

❖ ENVIRONMENTAL KEY PERFORMANCE INDICATORS (i.e; ENVIRONMENTAL KPIs)

Metric	Remarks
E1. GHG Emissions	<ul style="list-style-type: none"> Total Green House Gases emissions = 700 Gg of CO₂ per annum.
E2.Emission Intensity	<ul style="list-style-type: none"> Total GHG emissions per tons of Clinker: 0.310 of CO₂/ tonnes of Clinker.
E3. Energy Usage	<ul style="list-style-type: none"> Total amount of Energy Directly Consumed: 19,960 MWh Total Amount of energy indirectly consumed: 179,360 MWh
E4. Energy Intensity	<ul style="list-style-type: none"> Total Direct energy usage per tonnes of Clinker: <ul style="list-style-type: none"> a) UNIT 1 = 82 KWh/tonnes of Clinker b) UNIT 2 = 67 KWh/tonnes of Clinker Cement Grinding: 35 KWh/tonnes of cement.
E5. Energy Mix	<ul style="list-style-type: none"> TPP : 70.09 % FEWA : 10.14 % WHR :19.77 %
E6. Water Usage	<ul style="list-style-type: none"> The total water requirement for the facility is 1000 m³/day divided in different uses : <ul style="list-style-type: none"> a) 100 m³/day used for domestic purposes. b) 900 m³/day used for industrial purposes. The water for industrial purposes is being used for, Process Cooling, Boiler make up, cooling tower make up and dust suppression for the activities in the cement plant. Domestic wastewater is being collected in septic tank and disposed through Tankers of Dibba Municipality.

E7. Environmental Operations	<ul style="list-style-type: none"> We have Quality, Health & Safety, and Environment & Energy Management Policy in Place. The Management is committed towards Quality Control, Waste Management, and Water Management & Energy Management.
E8. Environmental Oversight	<ul style="list-style-type: none"> Our Top Management periodically discusses and manage the Sustainability Issues. Besides these, we monthly conduct Environment Committee Meeting where we sort out all the issues pertaining to Environment Protection and Climate Change.
E9. Environmental Oversight	<ul style="list-style-type: none"> Our Top Management always focusses on Sustainability issues as an Official Agenda. We conduct Environment Health and Safety Meeting on Monthly Basis. The raised issues are discussed and Corrective actions are implemented as a part of continual improvement.
E10. Climate Risk Mitigation	<ul style="list-style-type: none"> For Climate Risk Mitigation, FCI invested proactively on the following issues: <ul style="list-style-type: none"> a) Roads Shouldering Repair in Taween Quarry Road, after Flash Flooding: 225,000 AED b) Green Belt Development(Tree Plantation) in FCI Plant & Camp: 25,000 AED c) DUSTEX Spray on Quarry Roads to control Fugitive Emissions: 110,000 AED

❖ **SOCIAL KEY PERFORMANCE INDICATORS (i.e; SOCIAL KPIs)**

Metric	Remarks
S1.CEO Pay Ratio	<ul style="list-style-type: none"> Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation is 20:1
S2. Gender Pay Ratio	<ul style="list-style-type: none"> Ratio: 3.5:1
S3. Employee Turnover	<ul style="list-style-type: none"> Employee Turnover: 7.5%
S4. Gender Diversity	<p>Gender diversity percentage based on :</p> <ul style="list-style-type: none"> Total enterprise headcount : Male 97%, Female 3% Entry-and mid-level positions : Male 90%, Female 10% Senior-and executive-level positions : Male 100%
S5. Temporary Worker Ratio	<ul style="list-style-type: none"> We don't have part time workers.
S6. Non Discrimination	<ul style="list-style-type: none"> We do not discriminate employees based on cast and creed. Commitment to creating a diverse, open, equal and harassment-free work environment

S7. Injury Rate	<ul style="list-style-type: none"> • Average Injury Rate for 2022 = 2.75 • No fatalities
S8. Global Health & Safety	<ul style="list-style-type: none"> • FCI is ISO-45001:2018(Occupational Health & Safety Management System Certified Company. • Ensuring Healthy and safe working conditions for employees & contractors is a fundamental key to corporate social responsibility, and is one of the most important issues for FCI. • The management is committed to Health & Safety of employees by providing better working environment complying with all statutory requirements.
S9. Child & Forced Labor	<ul style="list-style-type: none"> • FCI Fulfill its compliance with all applicable labor-related laws & regulations. • Strict prohibition of child labor, forced labor and employment discrimination. FCI is Committed for creating a diverse, open, equal and harassment-free work environment. We have Zero-tolerance on any human rights violations.
S10. Human Rights	<ul style="list-style-type: none"> • FCI is dedicated to protecting its employees' rights and interests and therefore it strictly complies with labor-related laws and regulations. We place the utmost value on human rights in our operations, and we treat all employees, including contract employees and interns, with the same dignity and respect.
S11. Nationalization	<ul style="list-style-type: none"> • 2020: 15.0% • 2021: 15.0% • 2022 : 15.0%
S12. Community Investment	<ul style="list-style-type: none"> • FCI is greatly concerned with undertaking the responsibility for the service of the society and surrounding environment. • FCI seeks through its employee to participate in all the national occasions and social events of the different religious, cultural and social activities. • FCI participates and sponsors the 11th International Envirocities Conference 2022 in Fujairah

❖ **GOVERNANCE KEY PERFORMANCE INDICATORS (i.e; GOVERNANCE KPIs)**

Metric	Remarks
G1. Board Diversity	<ul style="list-style-type: none"> • No women representation in Board of Directors in 2022. • No women applied for the nomination for the Current Board of Directors post.
G2. Board Independence	<ul style="list-style-type: none"> • The company Prohibits CEO from serving as board chair. • Total Percentage of board seats occupied by independent board members= 91%
G3. Incentivized Pay	<ul style="list-style-type: none"> • We provide ample opportunities and motivational incentives to employees. Some of them are Performance Linked Incentives, Good Work Awards, Letters of Appreciation, Special Increments, Promotions and Nomination to external training programs in UAE and abroad.
G4. Supplier Code of Conduct	<ul style="list-style-type: none"> • FCI insure that all suppliers follows its code of conduct
G5. Ethics & Prevention of Corruption	<ul style="list-style-type: none"> • The employees certifies thru their declaration form, that they are not indulged in corruption practices, neither they are involved in any business in FCI • All the employees have formally certified their compliance as per the prevention of corruption policy.

G6. Data Privacy	<ul style="list-style-type: none"> • IT department of FCI keeps vigilant about data protection policy. • The Company has adopted reasonable security practices and procedure to ensure that the Sensitive Personal Information/ Official Data is preserved in a secured manner.
G7. Sustainability Reporting	<ul style="list-style-type: none"> • FCI publish Sustainability Report integrated with Annual Report
G8. Disclosure Practices	<ul style="list-style-type: none"> • FCI publish Sustainability reports of FCI based on UN Sustainable Development Goals (SDGs). • FCI Sustainability Report is in line with UN Sustainable Development Goals
G9. External Assurance	<ul style="list-style-type: none"> • FCI have plans for our Sustainability Data to be verified by 3rd Party in the upcoming years.