

**Fujairah Cement Industries PJSC and its
subsidiary
Fujairah - United Arab Emirates
Independent auditor's review report and
condensed consolidated interim financial
statements
For the nine months period ended September
30, 2023 (Unaudited)**

**Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates**

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**Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates**

General information

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Dibba, Fujairah, United Arab Emirates
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The Directors	<u>Name</u>	<u>Nationality</u>
	Sheikh Mohammed Bin Hamad Saif Al Sharqi (Representative of Govt. Fujairah)	Emirati
	Mr. Abdul Ghafour Hashem Abdul Ghafour Behroozian Alawadhi (Representative of Govt. Fujairah)	Emirati
	Mr. Khalid Abdulwahab Yousef Ahmed Al Muhaidib (Representative of Govt. Abu Dhabi)	Emirati
	Mr. Mohamed Sharief Habib Mohamed Alawadhi	Emirati
	Mr. Dhari Selfeeq Alshammary (Representative of ISDB-KSA)	Saudi
	Mr. Mohammad Saeed Aldowaisan	Kuwaiti
	Mr. Saad Abdullah Hussain Al Hanyan	Kuwaiti
	Mr. Yagoub Musaad Yagoub Albuaijan	Kuwaiti
	Mr. Abdul Latif Saad Abdul Latif Al Dosary	Kuwaiti
	Mrs. Maryam Abdulla Mohamed Obaid Al Matrooshi	Emirati
	Mr. Salem Mohamed Abdulla Mohamed Al Zahmi	Emirati

The Auditor : Crowe Mak
P.O. Box: 6747
Dubai - United Arab Emirates

The Main Banks : National Bank of Fujairah
Dubai Islamic Bank
Emirates NBD PJSC
Abu Dhabi Commercial Bank
Commercial Bank of Dubai
First Abu Dhabi Bank
Burgan Bank

**Fujairah Cement Industries PJSC (the 'Parent') and its subsidiary
Fujairah - United Arab Emirates**

Directors' report

The Directors have pleasure in presenting their report and the reviewed condensed consolidated interim financial statements for the period ended September 30, 2023.

Principal activities of the Group

The principal activities of Parent Entity and its subsidiary (collectively referred to as the "Group") are clinkers and hydraulic cement manufacturing, ready - mix and dry - mix concrete and mortars manufacturing, exporting and sand and pebble mines operation - crushers.

Financial review

The table below summarizes the results of nine months period ended September 30, 2023 and September 30, 2022 denoted in Arab Emirates Dirham (AED).

	Nine months period ended September 30,		Three months period ended September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	282,680,913	262,193,062	102,845,052	85,877,494
Cost of sales	(324,370,926)	(287,598,134)	(123,033,995)	(104,875,912)
Gross loss	(41,690,013)	(25,405,072)	(20,188,943)	(18,998,418)
Gross loss %	-14.75%	-9.69%	-19.63%	-22.12%
Net loss	(105,693,561)	(60,858,043)	(43,637,733)	(31,270,948)
Net loss %	-37.39%	-23.21%	-42.43%	-36.41%

Role of the Directors

The Directors are the Group's principal decision-making forum. The Directors have the overall responsibility for leading and supervising the Group for delivering sustainable shareholder value through its guidance and supervision of the Group's business. The Directors set the strategies and policies of the Group. They monitor performance of the Group's business, guide and supervise its management.

Going concern

These condensed consolidated interim financial statements have been prepared under the going concern basis for the nine months period ended September 30, 2023, despite the fact that the Group has incurred a loss of AED 105,693,561 and has accumulated losses which was offset against voluntary reserve, the current liabilities exceeded the current assets by AED 143,949,751 as at that date. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The major challenges during the period were the higher production cost due to the rising coal and fuel prices. In response to these challenges, the Group's management was able to increase the rate of cement in both local and international markets. 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 condensed consolidated interim financial statements have been prepared on a going concern basis.

Events after period end

In the opinion of the Directors, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial period and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Group.

Fujairah Cement Industries PJSC (the 'Parent') and its subsidiary
Fujairah - United Arab Emirates

Directors' report (continued)

Statement of Directors' responsibilities

The applicable requirements require the Directors to prepare the condensed consolidated interim financial statements for each financial period which presents fairly in all material respects, the financial position of the Group and its financial performance for the period then ended.

The condensed consolidated interim financial statements for the period under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirm that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Group and enables them to ensure that the condensed consolidated interim financial statements comply with the requirements of applicable statute. The Directors also confirm that the accounting policies and methods of computation adopted in preparing these condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2022, which are the latest audited consolidated financial statements available, that reflect fairly the form and substance of the transactions carried out during the period under review and reasonably present the Group's financial conditions and results of its operations.

These condensed consolidated interim financial statements were approved by the Board and signed on behalf by the authorized representative of the Entity.



Mohamed Bin Hamad Saif Al Sharqi
Chairman
November 13, 2023



Board Member

Ref: BN/A2983/November 2023

Independent auditor's report on review of condensed consolidated interim financial statements

To,
The Board of Directors
Fujairah Cement Industries PJSC
P. O. Box: 600
Fujairah, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of **Fujairah Cement Industries PJSC** (the "Parent Entity") **and its subsidiary** (together referred to as the "Group") which comprise the condensed consolidated interim statement of financial position as at **September 30, 2023**, and the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cash flows for the nine months period then ended and the explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the IAS 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the condensed consolidated interim financial statements which states that the Group incurred a loss of AED 105,693,561 for the nine months period ended September 30, 2023 (September 30, 2022: AED 60,858,043), the current liabilities exceeded the current assets by AED 143,949,751 as at that date (December 31, 2022: AED 145,009,363), and failed to meet some of the financial covenants as per bank facility letters. As stated in Note 2, these events or conditions, along with other matters as set forth in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of matter

We draw attention to Note 15 that states that the Group's Board of Directors resolved to offset the losses for the period amounting to AED 105,693,561 against voluntary reserve as at September 30, 2023. Our conclusion is not modified in respect of this matter.



Independent auditor's report on review of condensed consolidated interim financial statements (continued)

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 9, 2023 and included the following matters:

- 1) Material uncertainty related to going concern which states that the Group incurred a loss of AED 143,847,098 for the year ended December 31, 2022 and the accumulated losses of AED 87,523,797 was offset against the voluntary reserve as at 31 December 2022. The current liabilities exceeded the current assets by AED 145,009,363, and

- 2) Emphasis of Matter paragraph 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.

Furthermore, the condensed consolidated interim financial information of the Group for the nine months period ended September 30, 2022 were reviewed by the other auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on November 10, 2022.

For, Crowe Mak

A handwritten signature in black ink, appearing to read "Zayd Khalid Maniar".

Zayd Khalid Maniar
Partner
Registration Number 579
Dubai, U.A.E.
November 13, 2023

Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates

Condensed consolidated interim statement of financial position as at September 30, 2023 (Unaudited)
In Arab Emirates Dirham

	<u>Notes</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
		(Unaudited)	(Audited)
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	1,080,999,957	1,122,192,578
Intangible assets	6	173,295	210,722
Right-of-use assets	8	92,210,153	99,778,553
Total non-current assets		1,173,383,405	1,222,181,853
<i>Current assets</i>			
Inventories	9	263,415,235	252,179,167
Trade receivables	10	62,768,798	60,983,308
Advances, deposits and other receivables	11	11,796,616	8,166,430
Cash and bank balances	12	16,039,288	1,323,554
Total current assets		354,019,937	322,652,459
Total assets		1,527,403,342	1,544,834,312
Equity and liabilities			
<i>Equity</i>			
Share capital	13	355,865,320	355,865,320
Statutory reserve	14	161,750,412	161,750,412
Revaluation reserve		34,747,500	34,747,500
Voluntary reserve	15	29,318,644	135,012,205
Retained earnings / Accumulated losses	16	-	-
Total equity		581,681,876	687,375,437
<i>Non-current liabilities</i>			
Lease liabilities	8	102,442,517	112,705,265
Bank borrowings	17	324,709,819	234,038,621
Employees' end of service benefits	18	11,616,908	13,081,321
Trade and other payables	19	8,982,534	29,971,846
Total non-current liabilities		447,751,778	389,797,053
<i>Current liabilities</i>			
Lease liabilities	8	37,478,823	28,849,674
Bank borrowings	17	211,482,811	329,963,126
Trade and other payables	19	249,008,054	108,849,022
Total current liabilities		497,969,688	467,661,822
Total liabilities		945,721,466	857,458,875
Total equity and liabilities		1,527,403,342	1,544,834,312

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
The review report of the auditor is set out on pages 4 and 5.

The condensed consolidated interim financial statements on pages 6 to 19 were approved on November 13, 2023 and signed on behalf of the Group, by:

Sheikh Mohammed Bin Hamad Saif Al Sharqi
Chairman

Board Member

Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates

Condensed consolidated interim statement of profit or loss and other comprehensive income for the nine months period ended September 30, 2023 (Unaudited)
In Arab Emirates Dirham

	Notes	Nine months period ended September 30,		Three months period ended September 30,	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	20	282,680,913	262,193,062	102,845,052	85,877,494
Cost of sales		(324,370,926)	(287,598,134)	(123,033,995)	(104,875,912)
Gross loss		(41,690,013)	(25,405,072)	(20,188,943)	(18,998,418)
Other income		1,900,508	2,468,594	244,113	753,506
Selling and distribution expenses		(24,523,090)	(8,937,073)	(9,407,292)	(2,325,591)
General and administrative expenses		(9,556,586)	(8,966,942)	(3,257,340)	(3,128,466)
Finance costs - bank borrowings		(28,909,061)	(16,917,704)	(10,077,332)	(6,549,987)
Finance costs - lease liabilities		(2,915,319)	(3,099,846)	(950,939)	(1,021,992)
Net loss for the period		(105,693,561)	(60,858,043)	(43,637,733)	(31,270,948)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(105,693,561)	(60,858,043)	(43,637,733)	(31,270,948)
Basic and diluted loss per share	21	(0.297)	(0.171)	(0.123)	(0.088)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.
The review report of the auditor is set out on pages 4 and 5.

**Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates**

**Condensed consolidated interim statement of changes in equity for the nine months period ended September 30, 2023 (Unaudited)
In Arab Emirates Dirham**

	Share capital	Statutory reserve	Revaluation reserve	Voluntary reserve	Retained earnings / Accumulated losses	Total equity
Balance as at December 31, 2021 (Audited)	355,865,320	161,750,412	34,747,500	222,536,002	56,323,301	831,222,535
(Loss) for the period	-	-	-	-	(60,858,043)	(60,858,043)
Balance as at September 30, 2022 (Unaudited)	<u>355,865,320</u>	<u>161,750,412</u>	<u>34,747,500</u>	<u>222,536,002</u>	<u>(4,534,742)</u>	<u>770,364,492</u>
Balance as at December 31, 2022 (Audited)	355,865,320	161,750,412	34,747,500	135,012,205	-	687,375,437
(Loss) for the period	-	-	-	-	(105,693,561)	(105,693,561)
Offsetting of loss for the period against voluntary reserve	-	-	-	(105,693,561)	105,693,561	-
Balance as at September 30, 2023 (Unaudited)	<u>355,865,320</u>	<u>161,750,412</u>	<u>34,747,500</u>	<u>29,318,644</u>	<u>-</u>	<u>581,681,876</u>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

The review report of the auditor is set out on pages 4 and 5.

Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates

Condensed consolidated interim statement of cash flows for the nine months period ended September 30, 2023
(Unaudited)

In Arab Emirates Dirham

	Nine months period ended	
	September 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss for the period	(105,693,561)	(60,858,043)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	42,720,055	42,008,760
Depreciation on right-of-use assets	7,636,042	7,573,899
Amortization of intangible assets	37,427	26,319
Finance costs - bank borrowings	28,909,061	16,917,704
Finance costs - lease liabilities	2,915,319	3,099,846
Provision for employees' end of service benefits	1,153,759	1,043,588
	(22,321,898)	9,812,073
<i>(Increase) / decrease in current assets</i>		
Inventories	(11,236,068)	(66,699,163)
Trade receivables	(1,785,490)	11,709,688
Advances, deposits and other receivables	(3,630,186)	(8,180,348)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	118,869,658	58,464,331
Cash generated from operations	79,896,016	5,106,581
Employees' end-of-services benefits paid	(2,618,172)	(2,202,825)
Net cash generated from operating activities	77,277,844	2,903,756
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,527,434)	(7,024,884)
Net cash (used) in investing activities	(1,527,434)	(7,024,884)
Cash flows from financing activities		
Repayment of term loans	(22,982,926)	(11,156,231)
(Repayment) / proceeds of other bank borrowings	(4,826,191)	32,566,768
Finance cost paid on bank borrowings	(28,608,999)	(16,081,248)
Repayment of lease liabilities	(2,903,569)	(539,366)
Payment of interest on lease liabilities	(1,712,991)	(329,285)
Net cash (used) in / generated from financing activities	(61,034,676)	4,460,638
Net increase in cash and cash equivalents	14,715,734	339,510
Cash and cash equivalents, beginning of the period	1,323,554	723,106
Cash and cash equivalents, end of the period	16,039,288	1,062,616
Cash and cash equivalents		
Cash in hand	161,192	191,031
Cash at banks	15,878,096	871,585
	16,039,288	1,062,616

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

The review report of the auditor is set out on pages 4 and 5.

**Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates**

Notes to the condensed consolidated interim financial statements for the nine months period ended September 30, 2023 (Unaudited)

1 Legal status and business activities

- 1.1 Fujairah Cement Industries PJSC - Fujairah (the "Parent Entity") is a public joint stock company incorporated in the Emirate of Fujairah - United Arab Emirates by an Amiri Decree issued by His Highness the Ruler of Fujairah on December 20, 1979. The Parent Entity's ordinary shares are listed in the Abu Dhabi Securities Exchange.
- 1.2 The principal activities of Parent Entity and its subsidiary (collectively referred to as the "Group") are clinkers and hydraulic cement manufacturing, ready - mix and dry - mix concrete and mortars manufacturing, exporting and sand and pebble mines operation - crushers.
- 1.3 The Parent Entity is domiciled in Fujairah and its registered address is P.O. Box: 600, Fujairah - United Arab Emirates.
- 1.4 The management is vested with Mr. Saeed Ahmed Ghareib Howaishil Alsereidi, General Manager, Emirati National and control is vested with the Board of Directors.
- 1.5 These condensed consolidated interim financial statements incorporate the operating results of the industrial license no. 80001.
- 1.6 These condensed consolidated interim financial statements of the Parent Entity as at and for the period ended September 30, 2023 comprise the Parent Entity and its subsidiary. The details of the subsidiary is as follows.

Name of subsidiary	Country of incorporation	Principal activities	Commercial license no.	Legal and effective interests	
				September 2023	December 2022
Fujairah Cement Industries P.J.S.C FZE	United Arab Emirates	Ready mixed concrete manufacturing	4203	100%	100%

2 Going concern

These condensed consolidated interim financial statements have been prepared under the going concern basis despite the fact that, as at the period ended 30 September 2023, the Group has incurred a loss of AED 105,693,561, the current liabilities exceeded the current assets by AED 143,949,751 and failed to meet some of the financial covenants as per bank facility letters. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The major challenges during the period were the higher production cost due to the rising coal and fuel prices. In response to these challenges, the Group's management was able to increase the rate of cement in both local and international markets. 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 condensed consolidated interim financial statements have been prepared on a going concern basis.

3 Basis of preparation

3.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and is presented in Arab Emirates Dirham (AED) which is the functional currency of the Group.

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation adopted in preparing these condensed consolidated interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2022 which are the latest audited consolidated financial statements available.

All aspects of the financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended December 31, 2022.

3 Basis of preparation (continued)

3.1 Statement of compliance (continued)

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

The condensed result for the nine months period ended September 30, 2023 is not necessarily indicative of the result that may be expected for the financial year ending December 31, 2023.

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited consolidated financial statements as at and for the year ended December 31, 2022.

3.2 Basis of consolidation

The condensed consolidated interim financial statements consolidate the unaudited interim financial statements of the subsidiary referred to in Note 1.6, on line by line basis, with unaudited financial statements of the Parent Entity for the period. All significant inter group investments, receivables, payables and other such transactions are eliminated on consolidation.

4 Significant accounting policies

The accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2022. Certain amendments to accounting standards and annual improvements, as disclosed in the Group's most recent annual consolidated financial statements for the year ended December 31, 2022, are applicable to the Group but do not have any material impact on these condensed consolidated interim financial statements.

Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates

Notes to the condensed consolidated interim financial statements for the nine months period ended September 30, 2023 (Unaudited)
In Arab Emirates Dirham

5 Property, plant and equipment

	Land	Factory buildings and leasehold improvements	Plant and machinery	Furniture and fixtures	Vehicles and mobile plant	Tools and equipment	Quarry assets	Factory civil structures	Capital work in progress	Total
Cost										
As at December 31, 2021 (Audited)	34,997,500	30,712,750	2,031,544,356	4,388,925	27,032,732	13,241,361	31,949,125	129,286,686	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
As at December 31, 2022 (Audited)	34,997,500	31,075,132	2,039,508,659	4,402,789	38,937,861	13,526,370	31,949,125	129,286,686	13,052,346	2,336,736,468
Additions during the period	-	-	940,142	31,904	13,995	71,387	-	-	470,006	1,527,434
Disposal during the period	-	-	(349,349)	-	(2,463,390)	-	-	-	-	(2,812,739)
Transfers	-	713,000	605,065	-	-	-	-	-	(1,318,065)	-
Reclassification during the period	-	(1,075,382)	-	-	-	-	-	1,075,382	-	-
As at September 30, 2023 (Unaudited)	34,997,500	30,712,750	2,040,704,517	4,434,693	36,488,466	13,597,757	31,949,125	130,362,068	12,204,287	2,335,451,163
Accumulated depreciation										
As at December 31, 2021 (Audited)	-	16,256,628	1,037,156,231	3,657,682	24,505,823	13,102,863	25,825,203	37,827,563	-	1,158,331,993
Charge for the year	-	791,393	47,142,912	250,727	2,884,618	105,353	926,080	4,110,814	-	56,211,897
As at December 31, 2022 (Audited)	-	17,048,021	1,084,299,143	3,908,409	27,390,441	13,208,216	26,751,283	41,938,377	-	1,214,543,890
Charge for the period	-	630,714	35,681,121	176,809	2,352,026	101,712	694,560	3,083,113	-	42,720,055
Reclassification during the period	-	(2,127,101)	278,501	-	-	-	-	1,848,600	-	-
Disposal during the period	-	-	(349,349)	-	(2,463,390)	-	-	-	-	(2,812,739)
As at September 30, 2023 (Unaudited)	-	15,551,634	1,119,909,416	4,085,218	27,279,077	13,309,928	27,445,843	46,870,090	-	1,254,451,206
Carrying value as at September 30, 2023 (Unaudited)	34,997,500	15,161,116	920,795,101	349,475	9,209,389	287,829	4,503,282	83,491,978	12,204,287	1,080,999,957
Carrying value as at December 31, 2022 (Audited)	34,997,500	14,027,111	955,209,516	494,380	11,547,420	318,154	5,197,842	87,348,309	13,052,346	1,122,192,578

**Fujairah Cement Industries PJSC and its subsidiary
Fujairah - United Arab Emirates**

**Notes to the condensed consolidated interim financial statements for the nine months period ended September 30, 2023
(Unaudited)
In Arab Emirates Dirham**

5 Properties, plant and equipment (continued)

Notes:

a) Land amounting to AED 34,997,500 is stated at fair value based on 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.

b) 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.

c) 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).

d) Insurance policy covering movable assets is assigned in favor of a bank against bank borrowings (Note 17).

e) 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).

f) There is a registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 17) included in plant and machinery mentioned above.

g) Depreciation is fully charged to cost of sales.

h) Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period amounted to AED 355,731,657 (2022 : AED 354,785,226).

i) Registered mortgage and assignment of a part of the insurance policy on equipment and heavy machinery located on plot no.2 at Dibba Al Fujairah with a value of AED 151,647,137 (Note 5).

6 Intangible assets

The carrying value of the intangible assets are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Software	<u>173,295</u>	<u>210,722</u>
	<u>173,295</u>	<u>210,722</u>
		Software
Cost		
Transfer from capital work-in-progress		<u>249,517</u>
As at December 31, 2022 (Audited)		<u>249,517</u>
As at September 30, 2023 (Unaudited)		<u>249,517</u>
Accumulated amortisation		
Charge for the year		<u>38,795</u>
As at December 31, 2022 (Audited)		<u>38,795</u>
Charge for the period		<u>37,427</u>
As at September 30, 2023 (Unaudited)		<u>76,222</u>
Carrying value as at September 30, 2023 (Unaudited)		<u>173,295</u>
Carrying value as at December 31, 2022 (Audited)		<u>210,722</u>

7 Related party transactions

The Group enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24 'Related party disclosures'. Such transactions are in the normal course of business and at terms that correspond to those on normal arms-length transactions (except revenue related transactions) with third parties. Related parties comprise entities under common ownership and/or common management and control, their partners and key management personnel.

The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as other charges, if applicable.

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
a) Due from related parties		
Balances due from related parties (included in trade receivables)	<u>1,160,641</u>	<u>1,820,532</u>
	<u>1,160,641</u>	<u>1,820,532</u>
b) Due to related parties		
Balances due to related parties (included in trade and other payables)	<u>585,000</u>	242,432
	<u>585,000</u>	<u>242,432</u>

c) Transactions with related parties

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

	Nine months period ended September 30,		Three months period ended September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	<u>2,412,094</u>	2,537,623	<u>633,360</u>	909,773
Purchases/service contracts	<u>375,304</u>	696,100	<u>90,000</u>	139,368
Construction of property, plant and equipment	<u>315,000</u>	513,836	<u>-</u>	23,543

d) Key management personnel compensations

The compensation of key management personnel is as follows:

Salaries and other benefits of key management staff	<u>2,093,262</u>	2,384,270	<u>602,011</u>	698,624
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8 Leases

a) Right-of-use assets

The carrying value of the right-of-use assets is as follows:

Cost	Vehicles and plots of land
As at December 31, 2021 (Audited)	138,897,679
Additions during the year	315,953
As at December 31, 2022 (Audited)	139,213,632
Additions during the period	67,642
As at September 30, 2023 (Unaudited)	<u>139,281,274</u>

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8 Leases (continued)	Vehicles and plots of land
Accumulated depreciation	
As at December 31, 2021 (Audited)	29,252,204
Charge for the year	10,182,875
As at December 31, 2022 (Audited)	39,435,079
Charge for the period	7,636,042
As at September 30, 2023 (Unaudited)	47,071,121
Carrying value as at September 30, 2023 (Unaudited)	92,210,153
Carrying value as at December 31, 2022 (Audited)	99,778,553

b) Lease liabilities	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period / year	141,554,939	143,242,333
Additions during the period / year	67,642	315,953
Add: Interest charge during the period / year	2,915,319	4,137,363
Less: payments during the period / year	(4,616,560)	(6,140,710)
Balance at the end of the period / year	139,921,340	141,554,939
Comprising:		
Current portion	37,478,823	28,849,674
Non-current portion	102,442,517	112,705,265
	139,921,340	141,554,939

9 Inventories		
Spare parts	132,310,954	126,971,880
Semi-finished products	63,749,151	56,671,485
Burning media	70,107,458	75,099,758
Raw materials	10,519,281	16,056,468
Finished products	3,182,785	3,383,164
Bags and packing materials	916,393	735,336
	280,786,022	278,918,091
Less: Allowance for slow moving inventories	(26,816,605)	(26,816,605)
	253,969,417	252,101,486
Inventories in transit	9,445,818	77,681
	263,415,235	252,179,167

Movement in allowance for slow moving inventories as at reporting date is as follows:

Balance at the beginning of the period / year	26,816,605	20,702,113
Charge during the period / year	-	6,114,492
Balance at the end of the period / year	26,816,605	26,816,605

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

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10 Trade receivables	September 30, 2023	December 31, 2022
	<u>(Unaudited)</u>	<u>(Audited)</u>
Trade receivables	115,481,460	113,695,970
Less: Allowance for expected credit losses	(52,712,662)	(52,712,662)
	<u>62,768,798</u>	<u>60,983,308</u>

Trade receivables are assigned against bank borrowings (Note 17).

11 Advances, deposits and other receivables

Advances to suppliers	4,183,515	1,889,916
VAT receivable-net	3,798,113	4,559,553
Prepayments	2,445,918	858,554
Deposits	467,001	476,001
Staff loans and advances	138,441	69,268
Other receivables	763,628	313,138
	<u>11,796,616</u>	<u>8,166,430</u>

12 Cash and bank balances

Cash in hand	161,192	117,415
Cash at banks	15,878,096	1,206,139
	<u>16,039,288</u>	<u>1,323,554</u>

The bank balances are also subject to impairment requirements of IFRS 9, however, balances with banks are assessed to have low credit risk of default.

13 Share capital

Authorised, issued and paid up capital of the Parent Entity is AED 355,865,320 divided into 355,865,320 shares of AED 1 each fully paid.

14 Statutory reserve

Balance at the beginning of the period / year	161,750,412	161,750,412
Balance at the end of the period / year	<u>161,750,412</u>	<u>161,750,412</u>

According to the Articles of Association of the Parent Entity and UAE Federal Law No. 32 of 2021, 10% of annual net profits is allocated to the statutory reserve. The transfer to statutory reserve may be suspended, when the reserve reaches 50% of the paid up capital. In the current period, since the Group has incurred loss, no transfer has been made. This reserve is not available for distribution.

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15 Voluntary reserve	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	135,012,205	222,536,002
Offsetting of loss for the period / year	(105,693,561)	(87,523,797)
Balance at the end of the period / year	<u>29,318,644</u>	<u>135,012,205</u>

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

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

16 Retained earnings / Accumulated losses

Balance at the beginning of the period / year	-	56,323,301
Net (loss) for the period / year	(105,693,561)	(143,847,098)
Offsetting of loss for the period / year against voluntary reserve	105,693,561	87,523,797
Balance at the end of the period / year	<u>-</u>	<u>-</u>

As at September 30, 2023, the Group has set off accumulated losses of AED 193,217,358 against voluntary reserve.

17 Bank borrowings

a) Bank - term borrowings:

Balance at the beginning of the period / year	269,838,162	253,585,059
Transfer from short term borrowings / Received during the period / year	135,042,865	44,009,878
Repaid during the period / year	(22,982,926)	(27,756,775)
Total	<u>381,898,101</u>	<u>269,838,162</u>
Current portion of bank - term borrowings	<u>57,188,284</u>	<u>35,799,541</u>
Non-current portion of bank - term borrowings	<u>324,709,819</u>	<u>234,038,621</u>

b) Other bank borrowings:

Trust receipts	98,438,576	152,244,403
Short term loans	40,000,000	110,000,000
Bank overdrafts	15,855,951	31,919,182
	<u>154,294,527</u>	<u>294,163,585</u>

c) Details of bank borrowings are as follows :

i) Non-current portion

In the second year	97,487,935	48,484,250
In the third to fifth year	205,148,754	155,260,429
After five years	22,073,130	30,293,942
Total	<u>324,709,819</u>	<u>234,038,621</u>

ii) Current portion

Bank borrowings	57,188,284	35,799,541
Other bank borrowings	154,294,527	294,163,585
	<u>211,482,811</u>	<u>329,963,126</u>

Bank borrowings are presented in condensed consolidated interim statement of financial position as:

Current portion	211,482,811	329,963,126
Non-current portion	324,709,819	234,038,621
	<u>536,192,630</u>	<u>564,001,747</u>

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17 Bank borrowings (continued)

Securities:

- a). Registered charge over thermal power plant (including machinery) (Note 5).
- b). Registered chattel mortgage (to be executed) over the waste heat recovery based captive power plant expansion project (Note 5).
- c). Assignment of insurance policy for AED 437,363,133 covering factory on a pari passu basis (Note 5).
- d). Assignment of insurance policy for AED 236,891,000 covering the thermal power plant on a pari passu basis (Note 5).
- e). Assignment of insurance policy for AED 124,400,000 covering the waste heat recovery based captive power plant expansion project (Note 5).
- f). Assignment of insurance policies covering moveable assets on pari passu basis (Note 5).
- g). Assignment of leasehold rights (between the Group & Dibba Municipality) over the land on which the thermal power plant is located (Note 8).
- h). Registered mortgage and assignment of a part of the insurance policy on equipment and heavy machinery located on plot no.2 at Dibba Al Fujairah with a value of AED 151,647,137 (Note 5).
- i). Assignment of insurance policy over inventories on pari passu basis (Note 9).
- j). General assignments of trade receivables in favor of the bank (Note 10).
- k). Registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 5).
- l). Promissory note.

As at September 30, 2023, the Group failed to meet the below financial covenants as per bank facility letters.

Dubai Islamic Bank

- a). To maintain minimum tangible net worth of not less than AED 600 million
- b). To maintain leverage ratio not exceeding 1.5:1 at all times

Emirates NBD PJSC

- a). The ratio of EBITDA to debt services in respect of any relevant testing period shall not be less than 1.1 :1.

Natioanl bank of Fujairah

- a). To maintain leverage ratio not exceeding 1.5:1 or below

Abudhabi Commercial Bank

- a). Tangible net worth must not be less than AED 830 million
- b). Total liabilities to tangible net worth ratio must not be more than 1.20:1
- c). Total debt to EBITDA ratio must not be more than 8:1

18 Employees' end of service benefits	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	13,081,321	14,298,111
Add: charge for the period / year	1,153,759	1,379,860
Less: paid during the period / year	(2,618,172)	(2,596,650)
Balance at the end of the period / year	11,616,908	13,081,321

Amounts required to cover end of service indemnity at the condensed consolidated interim statement of financial position date are computed pursuant to the applicable labour law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

19 Trade and other payables

Trade payables	236,475,622	125,639,315
Accrued expenses	5,727,056	4,948,265
Advances from customers	7,610,753	711,703
Interest payable	3,111,719	2,811,657
Dividends payable	3,158,634	3,944,983
Other payables	1,906,804	764,945
	257,990,588	138,820,868

Trade and other payables are presented in condensed consolidated interim statement of financial position as:

Current portion	249,008,054	108,849,022
Non-current portion	8,982,534	29,971,846
	257,990,588	138,820,868

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20 Revenue	Nine months period ended		Three months period ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Revenue recognized at a point in time</i>				
Sales:				
Within U.A.E.	97,400,077	86,766,151	31,196,101	26,553,306
Other GCC countries	83,523,086	31,997,834	30,535,497	18,243,154
Other countries	101,757,750	143,429,077	41,113,454	41,081,034
	282,680,913	262,193,062	102,845,052	85,877,494
21 Basic and diluted loss per share				
Loss for the period (AED)	(105,693,561)	(60,858,043)	(43,637,733)	(31,270,948)
Weighted average number of shares	355,865,320	355,865,320	355,865,320	355,865,320
Basic and diluted loss per share (AED)	(0.297)	(0.171)	(0.123)	(0.088)

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding at the end of the reporting period. The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

22 Contingencies and commitments	September 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
Capital commitment for purchase of property, plant and equipment	2,434,567	497,817

Except for the above, and ongoing business obligations which are under normal course of business, there has been no other known contingent liabilities and commitments on Group's condensed consolidated interim financial statements as of reporting date.