J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Auditor's report and financial statements
For the year ended December 31, 2018

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

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P.O. BOX 123630, Dubai

Message from the Board of Directors

Dear Shareholders,

Your Directors submit their Annual Report and Audited Statements of Accounts for the year ended 31st December, 2018.

Economic outlook and Financial performance of year 2018

Global Brent crude oil prices started its recovery over 2017, and UAE being one of most diverse economies in GCC was continued to remained strong with its reliance and focus on non-oil sector growth during the year. New revenue streams (eg. value added tax) have been added to the UAE economy and the UAE Government announced further stimulus packages of measures to provide vital support to the country's economy ranging from reformation of residence visa rules, new insurance schemes, liberalizing foreign ownership stake up to 100% on certain key sectors and continued investment on uplifting infrastructure base. Boosting the technology and innovation base of the UAE economy has been highlighted as one of the country's key development objectives.

Unfortunately, we could not much witness the reinforcement of construction industry during the year, as most of manufacturing industries including cement are continued to suffer from over-capacities. The cost milieu of the Company was further challenged by increased fuel (petcoke) and logistics cost led by added levies and consolidation of key shipping players. Benefit availed through economies of scale of operations in the previous financial year 2017 due to increased production volume (change in production pattern, a onetime effect) has been normalized during the current year. Sheer price pressure to secure market share and volumes was continued which has been caused by discounted white cement imports and new white cement capacities added up in neighboring countries. Distant export market segment has negatively compressed, by competitive pricing, amplified logistics cost and foreign exchange optimization strategies by respective economies. The combined effect of restrained selling prices, normalized economies of scale out of production volume, higher fuel and logistics costs have led for deteriorated margins and profitability at the bottom line.

Outlook 2019 and Strategy ahead

In aim of reinforcing and capitalizing the pent-up potential and to mitigate existing adverse impacts on the business levers, the management has already initiated a robust business turnaround plan in November 2018. Strategically chosen initiatives of corporate reorganization, enhanced market and product portfolio, optimization of key cost levers, use of alternative materials coupled with continued stringent cost control mechanism and prioritized investment spending shall be key contributors of the planned success story of financial year 2019. Dimensions of ensured product quality, customer service, talent acquisition and corporate governance practices shall constant to be a key focus. Company's digital architecture shall remain to be under persistent transformation to enable enhanced operational efficiencies towards achieving the planned milestones.

GCC countries are expected positive economic outlook and growth in 2019, better Brent crude oil prices and improved output along with some easing in fiscal consolidation are expected to driving the growth. In continuation, nonhydrocarbon growth is expected to accelerate, government's economic stimulus plans as well as impetus from hosting Expo 2020.

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The Board of Directors and the Management believes your company is well positioned and prepared to overcome the challenges during our persistent and cautious progress ahead to assure delivery of constant revenue, profitability and operational efficiency. Further the parent company shall continue to extend its financial support wherever necessary in the foreseeable future.

Directors

Pursuant to Articles of Incorporation of the Company, His Highness Sheikh Mohammad Bin Hamad Al Sharqi, Mr. Mohd. Saif Al Afkham and Mr. Amit Kothari who are retiring by rotation in the ensuing Ordinary General Assembly and being eligible, offers themselves for reappointment. Your Board proposes to appoint them as Directors in the ensuing Ordinary General Assembly.

Independent Auditors

M/s Crowe Mak, Member of Crowe Global as Independent Auditors, were appointed in the 10th Ordinary General Assembly held on April 24, 2018 for conducting the audit for the year 2018 In the next Annual General Meeting, the shareholders will decide to appoint or re-appoint the auditors for 2019.

Acknowledgements

On behalf of the Board of Directors, I would like to express our gratefulness to His Highness Sheikh Hamad Bin Mohammed Al-Sharqi - Member of the Supreme Council and Ruler of Fujairah and H.H. Sheikh Mohammed Bin Hamad Bin Mohammed Al-Sharqi -- Crown Prince of Fujairah for their continued cooperation on company's matters.

The Board of Directors wish to express sincere thankfulness and gratitude for our customers, shareholders various government departments, our suppliers and bankers who trusted our company.

And finally, our earnest appreciation to all our executive members, management staff and employees who have continued to discharge their duties and responsibilities with integrity, commitment and discipline, serving our company to be step ahead and overcome challenges.

Declaration

I declare that the audited financial statements for the year ended on 31st December, 2018 comply in all material respects with the requirements of Fujairah Free Zone Law and Articles of incorporation of the Company and with the International Accounting Standards issued by the International Accounting Standards Committee. These financial statements state fairly and clearly in all material respects the true financial position of the Company as at 31st December, 2018 and the results of its operation and its cash flows for the year ended on that date

ISO 9001 : 2008 & ISO 14001 : 2004 Certified Company
Registered Office : Room No 5, Block A, Free Tradezone, Fujairah - U.A.E.
Marketing Office : The Citadel Tower, Office No. 2007-2008, Business Bay, Dubai - U.A.E.
Factory : Plot No. 7, Block - K, Habhab - Tawian, Fujairah - U.A.E.
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In my opinion and to the best of my knowledge and belief there have been no violations of the provisions of Fujairah Free Zone Law and Articles of incorporation of the Company. There were no material irregularities that affected the financial position of the Company and its results for the year of the accounts and there were no events subsequent to the date of the balance sheet that may have had material effect on the financial statements attached.

For and on behalf of the Board of Directors,

Mr. Raghavpat Singhania
Deputy Managing Director

Place. Fujairah, UAE.
Date: 26th Feb, 2019.

ISO 9001 : 2008 & ISO 14001 : 2004 Certified Company
Registered Office : Room No 5, Block A, Free Tradezone, Fujairah - U.A.E.
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Ref: JM/AR/19/12039

Independent auditor's report

To,

The Shareholders
M/s. J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **M/s. J.K. Cement Works (Fujairah) FZC**, Fujairah Free Zone, Fujairah - United Arab Emirates ("Entity") which comprise the statement of financial position as at December 31, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, 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 financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note - 2 to the financial statements. The Entity has incurred loss for the year amounting to AED 37,235,407 during the year, accumulated (losses) of AED 159,223,871 and total liabilities exceeded total assets by AED 70,072,980 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), in compliance with the requirements of applicable laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Independent auditor's report to the shareholders of J.K. Cement Works (Fujairah) FZC (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992, we further confirm that,

1 We have obtained all the information and explanations which we consider necessary for our audit.

2 The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 and the Memorandum and Articles of Association of the Entity.

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Independent auditor's report to the shareholders of J.K. Cement Works (Fujairah) FZC (continued)

Report on other legal and regulatory requirements (continued)

3 Proper books of accounts have been maintained by the Entity.

4 The contents of the Directors' report which relates to the financial statements are in agreement with the Entity's books of account.

5 The Entity has not made any investments in shares and stocks during the year ended December 31, 2018.

6 Note 10 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.

7 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as at December 31, 2018.

For Crowe Mak

James Mathew FCA, CPA (USA)
Senior Partner
Regn. No. 548

February 26, 2019

Registered with the Jebel Ali Free Zone Authority, Dubai (#5180)

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2018
(In Arab Emirates Dirham)

	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	5	**427,156,099**	450,446,233
Intangible asset	6	**9,937,095**	10,190,858
Other non-current assets	7	**-**	3,691,247
Total non-current assets		**437,093,194**	464,328,338
Current assets			
Inventories	8	**34,735,810**	33,434,163
Trade receivables	9	**28,906,203**	27,469,026
Due from related parties	10	**2,391,601**	77,086
Advances, deposits and other receivables	11	**10,019,578**	4,106,842
Cash and bank balances	12	**606,264**	2,321,937
Total current assets		**76,659,456**	67,409,054
Total assets		**513,752,650**	531,737,392
Equity and liabilities			
Equity			
Share capital	13	**36,724,000**	36,724,000
Equity component of compulsory convertible preference shares	14	**52,426,891**	52,426,891
Accumulated (losses)	15	**(159,223,871)**	(121,988,464)
Total equity		**(70,072,980)**	(32,837,573)
Non-current liabilities			
Liability component of compulsory convertible preference shares	14	**13,889,901**	15,440,278
Redeemable preference shares and application money	16	**192,521,039**	158,476,964
Employees' end of service benefits	17	**2,322,893**	2,285,290
Dividend payable on preference shares	18	**26,858,249**	20,319,119
Bank borrowings - non - current portion	19	**254,317,006**	289,766,508
Total non-current liabilities		**489,909,088**	486,288,159

(Continued)

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2018 (continued)
(In Arab Emirates Dirham)

	Notes	2018	2017
Current liabilities			
Bank borrowings - current portion	19	**69,023,102**	47,380,954
Trade and other payables	20	**24,893,440**	30,905,852
Total current liabilities		**93,916,542**	78,286,806
Total liabilities		**583,825,630**	564,574,965
Total equity and liabilities		**513,752,650**	531,737,392

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

The report of the auditor is set out on pages 5 to 7.

The financial statements on pages 8 to 36 were approved on February 26, 2019 and signed on behalf of the Entity, by:

Raghavpat Singhania

Chief Executive Officer

Deputy Managing Director

Company Secretary

Chief Financial Officer

Director

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended December 31, 2018
(In Arab Emirates Dirham)

	Notes	**2018**	2017
Revenue	21	**140,964,721**	143,747,087
Cost of revenue	22	**(114,263,706)**	(109,789,200)
Gross profit		**26,701,015**	33,957,887
Other income	23	**7,415,821**	129,841
Selling and distribution expenses	24	**(36,003,749)**	(31,376,043)
Administrative expenses	25	**(10,541,635)**	(10,600,969)
Directors' remuneration	10	**(550,000)**	(600,000)
Finance costs	26	**(24,256,859)**	(22,394,320)
(Loss) for the year		**(37,235,407)**	(30,883,604)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		**(37,235,407)**	(30,883,604)

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

The report of the auditor is set out on pages 5 to 7.

The financial statements on pages 8 to 36 were approved on February 26, 2019 and signed on behalf of the Entity, by:

Raghavpat Singhania

Chief Executive Officer

Deputy Managing Director

Company Secretary

Chief Financial Officer

Director

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of changes in equity for the year ended December 31, 2018
(In Arab Emirates Dirham)

	Share capital	Equity component of compulsory convertible preference shares	Accumulated (losses)	Total equity
Balance as at December 31, 2016	36,724,000	52,426,891	(91,104,860)	(1,953,969)
(Loss) for the year	-	-	(30,883,604)	(30,883,604)
Balance as at December 31, 2017	36,724,000	52,426,891	(121,988,464)	(32,837,573)
(Loss) for the year	-	-	(37,235,407)	(37,235,407)
Balance as at December 31, 2018	**36,724,000**	**52,426,891**	**(159,223,871)**	**(70,072,980)**

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

The report of the auditor is set out on pages 5 to 7.

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2018
(In Arab Emirates Dirham)

	2018	2017
Cash flows from operating activities		
(Loss) for the year	**(37,235,407)**	(30,883,604)
Adjustments for:		
Loss on disposal of property, plant and equipment	**42,453**	356,464
Depreciation on property, plant and equipment	**24,950,015**	25,155,215
Provision for employees' end of service benefits	**525,354**	742,849
Finance costs	**24,256,859**	22,394,320
Amortisation of intangible asset	**253,763**	253,763
Operating profit before changes in operating assets and liabilities	**12,793,037**	18,019,007
(Increase)/decrease in current assets		
Inventories	**(1,301,647)**	509,562
Trade receivables	**(1,437,177)**	1,599,066
Due from related parties	**(2,314,515)**	(45,300)
Advances, deposits and other receivables	**(5,912,736)**	1,760,214
Increase/(decrease) in current liabilities		
Trade and other payables	**(6,012,412)**	4,122,001
Cash (used in)/generated from operations	**(4,185,450)**	25,964,550
Finance costs paid	**(19,268,106)**	(17,427,227)
Employees' end of services benefits paid	**(487,751)**	(321,376)
Net cash (used in)/from operating activities	**(23,941,307)**	8,215,947
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,708,290)**	(2,117,138)
Proceeds from disposal of property, plant and equipment	**5,956**	4,355
Other non-current assets	**3,691,247**	(8,939)
Net cash from/(used in) investing activities	**1,988,913**	(2,121,722)

(continued)

J.K. Cement Works (Fujairah) FZC
Fujairah Free Zone
Fujairah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2018 (continued)
(In Arab Emirates Dirham)

	2018	2017
Cash flows from financing activities		
Redeemable preference shares and application money	**34,044,075**	19,097,000
(Repayment) of term loans - net	**(30,354,596)**	(20,158,550)
Proceeds/(repayment) of bank borrowings	**16,547,242**	(7,009,265)
Net cash from/(used in) financing activities	**20,236,721**	(8,070,815)
Net (decrease) in cash and cash equivalents	**(1,715,673)**	(1,976,590)
Cash and cash equivalents, beginning of the year	**2,321,937**	4,298,527
Cash and cash equivalents, end of the year	**606,264**	2,321,937
Represented by:		
Cash in hand	**3,720**	24,767
Cash at banks	**602,544**	2,297,170
	606,264	2,321,937

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

The report of the auditor is set out on pages 5 to 7.

Chief Executive Officer

Raghavpat Singhania
Deputy Managing Director

Company Secretary

Chief Financial Officer

Director

1 Legal status and business activities

1.1 **M/s. J.K. Cement Works (Fujairah) FZC,** Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on March 17, 2008 as a Free Zone Company and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority, Government of Fujairah, Fujairah - United Arab Emirates.

1.2 The Entity is licensed to engage in manufacturing and trading (export & import) of all types of cement, limestone, pet coke, kaolin, feldspar, fluorspar, silica sand, gypsum and other allied products.

1.3 The registered address of the Entity is P.O. Box: 5325, Fujairah Free Zone, Fujairah - United Arab Emirates.

1.4 The Entity is a step down subsidiary of J.K. Cement Ltd. *"Ultimate parent"*, an Indian Company incorporated under the Companies Act 1956. The management and control of the Entity are vested with the Board of Directors and day to day affairs of the Entity are controlled and managed by Chief Executive Officer, Mr. Amit Kothari who is responsible to the Board.

1.5 These financial statements incorporate the operating results of the Commercial license no. 2249.

1.6 On November 04, 2018, the Entity incorporated a new subsidiary, M/s. JK White Cement (Africa) Limited, Tanzania with an authorised share capital of Shs 2,000,000,000 (equivalent AED 3,210,273) divided into 20,000 shares of Shs 100,000 (equivalent AED 161) each out of which the Entity subscribed for 999 shares (99.9%). As at the reporting date, the Entity had not paid up the subscribed share capital.

Further, subsequent to the reporting date, the Entity is planning to incorporate a Limited Liability Company in UAE as a Subsidiary company, and shall continue to operate as the Holding Company.

2 Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has incurred loss for the year amounting to AED 37,235,407 during the year, accumulated (losses) of AED 159,223,871 and total liabilities exceeded total assets by AED 70,072,980 as at the reporting date.

However, these financial statements have been prepared on a going concern basis as the Ultimate parent has agreed to provide necessary financial support to enable the Entity to continue its operation and settle its obligation as and when they fall due. Also, the management is in process of developing new products and focusing of new markets beyond GCC region which is expected to increase business volume and enhance profitability in coming years. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

3 New standards and amendments

3.1 New standards and amendments - applicable January 01, 2018

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2018.

IFRS 9 Financial Instruments and associated amendments to various other standards.

IFRS 15 Revenue from contracts with customer and associated amendments to various other standards

Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

Annual improvements 2014-2016 cycle

Transfers of Investment Property – Amendments to IAS 40

Interpretation 22 Foreign Currency Transactions and Advance Consideration

3 New standards and amendments (continued)

3.2 New standards and amendments issued but not effective for the current annual period.

The following standards and interpretations had been issued were not mandatory for annual reporting periods ending December 31, 2018.

Description	Effective for annual periods beginning on or after
IFRS 16 - Leases	January 1, 2019. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	January 1, 2019
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements in the period of initial application.

3.3 Impact of standards adopted in 2018

3.3.1 IFRS 15 Revenue from contract with customers

The effect of adoption of IFRS 15 on the balance sheet and retained earnings is not material and disclosed where applicable in the Notes to these financial statements.

3.3.2 IFRS 9 Financial instruments

The Entity adopted IFRS 9 Financial instruments from January 1, 2018. The effect of adoption of IFRS 9 on the balance sheet and retained earnings is not material and has been disclosed where applicable in the notes to these financial statements.

3.4 Impact of standards issued but not yet applicable

3.4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and will supersede IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance lease is removed for leases. Under the new standard, both an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. The Entity has decided not to adopt the standard before its effective date.

The standard will affect primarily the accounting for the Entity's operating lease. At the reporting date, the Entity has non cancellable operating lease commitments of AED 132,577,568. The Entity, plans to use the recognition exemption for low value leases such as personal computers and to recognize on a straight line basis as an expense in the income statement.

4 Significant accounting policies

4.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Laws. These financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

4.3 Current/Non current classification

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

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or Expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

It is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or 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 period.

The Entity classifies all other liabilities as non-current.

4.4 Fair value measurement

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

In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to by the Entity.

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.

Level 1 inputs are quoted price (unadjusted) in active market for identical asset or liabilities that the entity can access at the measurement date,

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and

Level 3 inputs are unobservable inputs for the asset or liability.

4 Significant accounting policies (continued)

4.5 Foreign currency

In preparing the financial statements of the Entity, transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

4.6 Property, plant and equipment

Property, plant and equipment, except building and improvements are stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Depreciation is spread over useful lives so as to write off the cost of property, plant and equipment, using the straight-line method over their useful lives as follows:

	Years
Building and improvements	5 - 25
Plant and machinery	4 - 25
Motor vehicles	5
Furniture, fixtures and office equipments	3 - 5

The building and leasehold improvements are being depreciated over the period from when it became available for use up to shorter of lease period and useful life the end of the lease term.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss.

<u>Capital work- in- progress</u>

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4.7 Intangible assets

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

4 Significant accounting policies (continued)

4.8 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

4.9 Financial instruments

Financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument.

4.10 Financial assets

Classifications

The Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI "FVTOCI", or through profit or loss "FVTPL"), and

- those to be measured at amortised cost.

The classification depends on the Entity's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets comprise of cash and cash equivalents, trade and other receivables and other financial assets.

4 Significant accounting policies (continued)

4.10 Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables

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

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

Other financial assets

Other financial assets include both debt instrument and equity instruments. Debt instruments include those subsequently carried at amortized cost, those carried at FVTPL and those carried at FVTOCI.

The effective interest method is a method of calculating the amortised cost of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

For trade receivables and due from related parties, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognise the financial asset.

4.11 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs. The Entity's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

4 Significant accounting policies (continued)

4.11 Financial liabilities (continued)

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Loans and other borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted on accrual basis and are added to the carrying value of the instruments to the extent that they are not settled in the period in which they arise.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity'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 recognised in the statement of profit or loss.

4.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 recognised in profit or loss in the period in which they are incurred.

4.15 Provisions

Provisions are recognised when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4 Significant accounting policies (continued)

4.15 Provisions (continued)

When some cr all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.16 Revenue recognition

Revenue from the sale of goods in normal course of business is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Entity may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT) and custom duty. A variable consideration s recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For prcducts for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

4.17 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in policy notes, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described belcw.

Critical judgements in applying accounting policies

In the process of applying the Entity's accounting policies, which are described above, and due to the nature of operations, management makes the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Determining the timing of satisfaction of performance obligations - revenue recognition

In making their judgement, the Entity considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Entity has transferred control of the goods to the customer. The managerrent is satisfied that control has been transferred and that recognition of revenue in the current year is appropriate.

4 Significant accounting policies (continued)

4.17 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Business model assessment - classification and measurement of financial statements

Classification and measurement of financial assets depends on the results of business model test. The Entity determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Net realisable value of inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required, are made for estimated obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives, which are based on expected usage of the assets and expected physical wear and tear which depends on operational factors. Management has not considered any residual value as it is deemed immaterial.

Leasehold improvements

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the financial statements.

5 Property, plant and equipment

	Building and improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipments	Capital work-in-progress	Total
Cost						
As at December 31, 2016	109,637,240	405,450,752	1,499,135	1,613,376	5,340,705	523,541,208
Addition during the year	21,184	1,336,433	-	435,067	324,454	2,117,138
Transferred during the year	-	2,532,747	-	-	(2,532,747)	-
Disposals during the year	-	(362,118)	-	(19,137)	-	(381,255)
As at December 31, 2017	109,658,424	408,957,814	1,499,135	2,029,306	3,132,412	525,277,091
Addition during the year	21,116	957,455	-	212,532	517,187	1,708,290
Transfers during the year	-	(2,425,174)	2,446,645	53,750	(75,221)	-
Disposals during the year	-	(97,010)	-	(2,775)	-	(99,785)
As at December 31, 2018	**109,679,540**	**407,393,085**	**3,945,780**	**2,292,813**	**3,574,378**	**526,885,596**
Accumulated depreciation						
As at December 31, 2016	11,684,836	36,235,766	1,001,767	773,710	-	49,696,079
Charge for the year	5,437,310	19,222,225	216,732	278,948	-	25,155,215
Eliminated on disposals during the year	-	(2,916)	-	(17,520)	-	(20,436)
As at December 31, 2017	17,122,146	55,455,075	1,218,499	1,035,138	-	74,830,858
Charge for the year	5,442,842	18,830,196	335,168	341,809	-	24,950,015
Transfers during the year	-	(2,050,696)	2,027,609	23,087	-	-
Eliminated on disposals during the year	-	(49,354)	-	(2,022)	-	(51,376)
As at December 31, 2018	**22,564,988**	**72,185,221**	**3,581,276**	**1,398,012**	**-**	**99,729,497**
Carrying value as at December 31, 2018	**87,114,552**	**335,207,864**	**364,504**	**894,801**	**3,574,378**	**427,156,099**
Carrying value as at December 31, 2017	92,536,278	353,502,739	280,636	994,168	3,132,412	450,446,233

5 Property, plant and equipment (continued)

Notes:

- Building and improvements represent factory constructed on leasehold Plot no. 7, Block K, Habhab, Tawain - Fujairah - United Arab Emirates. The said plot is obtained on lease from Fujairah Municipality, Fujairah - United Arab Emirates. It also includes office improvements and fixtures in Citadel Tower, Dubai - United Arab Emirates.
- Property, plant and equipment are hypothecated to banks against credit facilities (note 19).
- Capital work-in-progress represents costs incurred for setting up of quarry on leased land and machinery under installation, pending capitalisation (note 31).
- Breakup of depreciation charged:

		For the year ended December 31,	
	Notes	**2018**	2017
		AED	AED
Cost of revenue	22	23,732,586	24,127,764
Selling and distribution expenses	24	29,344	18,869
Administrative expenses	25	1,188,085	1,008,582
		24,950,015	25,155,215

		2018	2017
6	**Intangible asset**		
	The carrying value of the intangible asset is as follows:		
	Cost		
	As at the end of the year	**11,017,500**	11,017,500
	Accumulated amortisation		
	As at the beginning of the year	**826,642**	572,879
	Charge for the year (note 22)	**253,763**	253,763
	As at the end of the year	**1,080,405**	826,642
	Carrying value as at the end of the year	**9,937,095**	10,190,858

This represents cost of securing the lease of factory land and mines on which the Entity's factory buildings, plant and facilities are erected. The lease has an extended period of 50 years from the date it is initially secured. The Entity is amortising lease acquisition cost over the extended lease period from the commencement of its commercial operations.

		2018	2017
7	**Other non-current assets**		
	Advance for capital assets	-	3,691,247
8	**Inventories**		
	Raw materials	**8,238,367**	3,926,909
	Fuel	**8,309,123**	2,061,552
	Packing materials	**2,062,855**	1,454,675
	Finished goods	**1,023,452**	2,260,550
	Semi finished goods and work-in-progress	**6,469,113**	15,699,218
	Spare parts and consumables	**8,632,900**	8,031,259
		34,735,810	33,434,163

Inventories were kept at the factory in Fujairah - United Arab Emirates and are hypothecated against credit facilities (note 19).

		2018	2017
9	**Trade receivables**		
	Trade receivables	**28,906,203**	27,469,026
	Coverage:		
	Secured against bank guarantee	**17,239,055**	15,350,916
	Secured against letter of credit/ bill of lading	**8,111,991**	5,642,022
	Secured against credit insurance	**3,555,157**	6,476,088
		28,906,203	27,469,026

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

9 Trade receivables (continued)

The average credit period for the trade receivables is 60/120 days (2017: 60/120 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

The above trade receivables are assigned against credit facilities (note 19).

In determining the recoverability of trade receivables, the Entity considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Since, the overdue trade receivables are secured, the management has concluded that the Expected Credit Loss (ECL) for trade receivables to be immaterial as at the reporting date.

	2018	2017
Ageing of trade receivables:		
1 - 90 days	**20,625,624**	23,592,032
91 - 120 days	**2,609,032**	879,172
121 - 180 days	**5,671,547**	2,997,822
	28,906,203	27,469,026
Geographical analysis:		
The geographical analysis of trade receivables are as follows:		
Outside U.A.E.	**16,585,352**	17,843,411
Within U.A.E.	**12,320,851**	9,625,615
	28,906,203	27,469,026

10 Related party transactions

The Entity 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 with third parties. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

	2018	2017
a) Due from related parties		
Ultimate parent		
M/s. J.K. Cement Limited, Kanpur - India	**2,230,757**	-
Immediate parent		
M/s. J.K. Cement (Fujairah) FZC, Fujairah - U.A.E.	**134,242**	77,086
Subsidiary		
M/s. JK White Cement (Africa) Limited, Tanzania	**26,602**	-
	2,391,601	77,086

10 Related party transactions (continued)

b) Transactions with related parties

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

	For the year ended December 31,	
	2018	2017
Revenue (note 21)	**3,614,181**	-
Other income (note 23)	**208,869**	-
Interest on preference shares (note 26)	**4,988,753**	4,967,093
Directors' remuneration	**550,000**	600,000

11 Advances, deposits and other receivables

	2018	2017
Prepayments	**985,208**	1,249,853
Advance for capital assets*	**4,557,411**	-
Advance to suppliers	**2,019,739**	329,793
Staff loans and advances	**481,439**	587,248
Deposits	**393,971**	309,600
VAT receivable	**1,581,810**	-
Other receivables	**-**	1,630,348
	10,019,578	4,106,842

* The advance for capital assets includes advances of AED 3,682,208 paid for electrical panels and installations which were transferred from non-current to current advances during the year (note 7).

12 Cash and bank balances

Cash in hand	**3,720**	24,767
Cash at banks	**602,544**	2,297,170
	606,264	2,321,937

Management has concluded that the Expected Credit Loss (ECL) for all bank balances is immaterial as these balances are held with banks/financial institutions whose credit risk rating by international rating agencies has been assessed as low.

13 Share capital

Issued and paid-up capital of Entity is AED 36,724,000 divided into 36,724 fully paid-up shares of AED 1,000 each. The detail of the shareholding as at the reporting date are as follows:

Names of shareholders	Nationality	Percentage	No. of shares	**2018**	2017
M/s. J.K. Cement (Fujairah) FZC	U.A.E.	90	33,052	**33,052,000**	33,052,000
Government of Fujairah Establishment - Fujairah Investments	U.A.E.	10	3,672	**3,672,000**	3,672,000
		100	36,724	**36,724,000**	36,724,000

14 Compulsory convertible preference shares

The Entity issued two classes of preference shares; compulsory convertible preference shares (CCPS) and redeemable preference shares (note 16). The compulsory convertible preference shares shall be mandatorily converted to ordinary equity shares with definitive timeframe and are issued in the same proportion as ordinary share capital. CCPS also carry non-discretionary cumulative coupon rate of 3% which is payable in cash with an option to convert in equivalent ordinary shares at the time of conversion. Therefore, CCPS are treated as compound instruments with both equity and liability component and have been classified in the financial statements accordingly. At the time of conversion, the Entity will issue 73,450 ordinary shares of AED 1,000 each against the equity component of compulsory convertible preference shares. As at the reporting date, the Entity has issued 73,450 compulsory convertible preference shares of AED 1,000 each.

	2018	2017
a) Equity component of compulsory convertible preference shares		
Balance at the beginning and end of the year	**52,426,891**	52,426,891
b) Liability component of compulsory convertible preference shares		
Balance at the beginning of the year	**15,440,278**	16,927,735
Amortization during the year	**(1,550,377)**	(1,487,457)
Balance at the end of the year	**13,889,901**	15,440,278

15 Accumulated (losses)

	2018	2017
Balance at the beginning of the year	**(121,988,464)**	(91,104,860)
(Loss) for the year	**(37,235,407)**	(30,883,604)
Balance at the end of the year	**(159,223,871)**	(121,988,464)

16 Redeemable preference shares and application money

	2018	2017
Redeemable preference shares	**144,521,000**	144,521,000
Redeemable preference shares application money	**48,000,039**	13,955,964
	192,521,039	158,476,964

In order to raise fund for the property plant and equipment and to meet working capital requirements, the Entity, since inception, issued 144,521 (2017:144,521) mandatorily redeemable preference shares of AED 1,000 each which are redeemable after 11 to 14 years and carry cumulative dividend @ 3% p.a. The redeemable preference shares do not carry right to vote, bear non-discretionary dividends, are redeemable in cash to the holders and are hence classified as financial liabilities. Also, the non-discretionary dividends are considered as finance cost in the statement of profit or loss and other comprehensive income.

Redeemable preference shares are subordinated against bank borrowings (note 19).

17 Employees' end of service benefits

	2018	2017
Balance at the beginning of the year	**2,285,290**	1,863,817
Add: Charge for the year	**525,354**	742,849
Less: Paid during the year	**(487,751)**	(321,376)
Balance at the end of the year	**2,322,893**	2,285,290

Amounts required to cover end of service indemnity at the 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.

	2018	2017
18 Dividend payable on preference shares		
Dividend payable on redeemable preference shares	**15,876,934**	11,541,304
Dividend payable on compulsory convertible preference shares	**10,981,315**	8,777,815
	26,858,249	20,319,119

The above represents non-discretionary dividend payable on compulsory convertible and redeemable preference shares. The management has decided to pay the said interest upon generation of profits which is not anticipated in next 12 months and therefore, the interest payable has been classified as a non-current liability.

19 Bank borrowings

a) Due to banks

	2018	2017
Bank overdraft	**11,485,250**	11,792,145
Trust receipts	**17,810,224**	2,882,800
Bills discounted	**4,824,056**	-
Short term loan *	**7,102,657**	10,000,000
	41,222,187	24,674,945

* Represents short term loan obtained to part finance the working capital requirements, carries interest at commercial rates and is repayable within 6 months from the date of withdrawal.

b) Term loans

	2018	2017
Balance at the beginning of the year	**312,472,517**	332,631,067
Less: Repaid during the year *	**(30,354,596)**	(20,158,550)
Balance at the end of the year	**282,117,921**	312,472,517

* Repayment during the year includes AED 7,642,358 (2017: AED 5,108,304), being early repayment of liability which was due on January 01, 2019. Also, repayment amount is stated net of AED 221,071 (2017: AED 221,071) being amortization of refinancing charges.

Comprising:

	2018	2017
Current portion	**27,800,915**	22,706,009
Non-current portion	**254,317,006**	289,766,508
	282,117,921	312,472,517

The above term loan carries interest 3.25% per annum over 6 months LIBOR and the principal amount is repayable in 35 variable quarterly installments and interest amount in half yearly installments commencing from July 01, 2016.

		2018	2017
Bank borrowings - short term liabilities			
Due to banks	(refer a)	**41,222,187**	24,674,945
Term loans	(refer b)	**27,800,915**	22,706,009
		69,023,102	47,380,954
Bank borrowings - long term liabilities			
Term loans	(refer b)	**254,317,006**	289,766,508
Total bank borrowings		**323,340,108**	337,147,462

Bank borrowings are secured by:

i) First pari passu charge over immovable and movable property, plant and equipment (note 5).

ii) Assignment of lease rights on factory and mining land.

iii) Assignment of insurance contracts.

19 Bank borrowings (continued)

Bank borrowings are secured by (continued):

iv) Corporate guarantees of M/s. J.K. Cement Ltd.- India and M/s. J.K. Cement (Fujairah) FZC - U.A.E.
v) Hypothecation of inventories (note 8).
vi) Assignment of trade receivables (note 9).
vii) Subordination of shareholders' loan/redeemable preference shares (note 16).

20 Trade and other payables

	2018	2017
Trade payables	**11,246,169**	7,095,970
Payable against capital assets	**1,306,085**	1,238,484
Advances from customers	**653,367**	458,786
Accrued expenses and provisions	**9,018,665**	19,428,167
VAT payable	**103,907**	-
Other payables	**2,565,247**	2,684,445
	24,893,440	30,905,852

21 Revenue

	For the year ended December 31, 2018	2017
Cement (note 10)	**108,975,911**	117,177,318
Clinker	**31,988,810**	26,569,769
	140,964,721	143,747,087
Geographical analysis:		
Sales: Outside U.A.E.	**101,529,620**	109,493,960
: Within U.A.E.	**39,435,101**	34,253,127
	140,964,721	143,747,087

Entire amount of revenue is recorded for goods transferred at a point in time.

The performance obligation is satisfied on delivery of clinker/ cement in case of sales within U.A.E. and on shipping/delivery in case of sales outside U.A.E. depending upon the contractual terms agreed with the customers.

22 Cost of revenue

	2018	2017
Cost of goods sold		
Materials consumed	**43,685,723**	54,961,148
Utilities	**12,745,514**	17,068,095
Salaries and benefits	**13,151,336**	13,297,350
Other direct expenses	**10,227,581**	13,748,845
Depreciation on property, plant and equipment (note 5)	**23,732,586**	24,127,764
Amortization of intangible asset (note 6)	**253,763**	253,763
Manufacturing cost	**103,796,503**	123,456,965
Semi finished goods and work-in-progress at the beginning of the year	**15,699,218**	2,908,183
Semi finished goods and work-in-progress at the end of the year (note 8)	**(6,469,113)**	(15,699,218)
Cost of goods manufactured	**113,026,608**	110,665,930
Finished goods at the beginning of the year	**2,260,550**	1,383,820
Finished goods at the end of the year (note 8)	**(1,023,452)**	(2,260,550)
	114,263,706	109,789,200

	For the year ended December 31, 2018	2017
23 Other income		
Land rent written back*	**6,713,860**	-
Insurance claim received	**316,855**	-
Commission income (note 10)	**208,869**	-
Miscellaneous receipts	**176,237**	129,841
	7,415,821	129,841

* In 2018, 50% of the land lease rent for the period from July 01, 2016 to December 31, 2018 was waived off by the Fujairah Municipality vide a letter dated April 08, 2018.

	2018	2017
24 Selling and distribution expenses		
Salaries and benefits	8,602,887	7,111,606
Freight and handling expenses	**21,439,602**	18,968,193
Sales royalty	**2,345,996**	2,412,612
Business promotion and other expenses	**3,585,920**	2,864,763
Depreciation on property, plant and equipment (note 5)	**29,344**	18,869
	36,003,749	31,376,043
25 Administrative expenses		
Salaries and related benefits	**5,300,914**	5,265,214
Rent	**338,918**	363,388
Travelling and conveyance	**481,612**	375,155
Legal and professional expenses	**1,000,552**	819,079
Insurance	**680,428**	664,312
Repairs and maintenance	**148,411**	157,614
Communication	**330,881**	344,731
Depreciation on property, plant and equipment (note 5)	**1,188,085**	1,008,582
Loss on disposal of property, plant and equipment	**42,453**	356,464
Miscellaneous	**1,029,381**	1,246,430
	10,541,635	10,600,969
26 Finance costs		
Interest on preference shares (note 10)	**4,988,753**	4,967,093
Bank interest and charges	**19,268,106**	17,427,227
	24,256,859	22,394,320

27 Financial instruments

a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability are disclosed in note 4 to the financial statements.

27 Financial instruments (continued)

b) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis.*

	As at December 31,		As at December 31,	
	2018	2017	**2018**	2017
Financial assets	**Carrying amount**		**Fair value**	
Trade receivables	**28,906,203**	27,469,026	**28,906,203**	27,469,026
Due from related parties	**2,391,601**	77,086	**2,391,601**	77,086
Deposits and other receivables	**2,457,220**	2,527,196	**2,457,220**	2,527,196
Cash and bank balances	**606,264**	2,321,937	**606,264**	2,321,937
	34,361,288	32,395,245	**34,361,288**	32,395,245
Financial liabilities				
Liability component of compulsory convertible preference shares	**13,889,901**	15,440,278	**13,889,901**	15,440,278
Redeemable preference shares	**192,521,039**	158,476,964	**192,521,039**	158,476,964
Dividend payable on preference shares	**26,858,249**	20,319,119	**26,858,249**	20,319,119
Bank borrowings	**323,340,108**	337,147,462	**323,340,108**	337,147,462
Trade and other payables	**24,240,073**	30,447,066	**24,240,073**	30,447,066
	580,849,370	561,830,889	**580,849,370**	561,830,889

Financial instruments comprise of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties.

Financial assets consist of cash and bank balances, other receivables, due from related parties, deposits and other receivables and trade receivables. Financial liabilities consist of liability component of compulsory convertible preference shares, trade and other payables, bank borrowings, dividend payable on preference shares and redeemable preference shares.

As at the reporting date, financial assets and financial liabilities approximate their carrying values.

c) *Valuation premise for financial instruments that are not measured at fair value on recurring basis*

The following methods and assumptions were used to estimate the fair values:

Receivables are evaluated by the Entity based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at reporting date, the carrying amounts of such receivables, were not mater ally different from their calculated fair values.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

28 Financial risk management objectives

The Entity management set out the Entity's overall business strategies and its risk management philosophy. The Entity's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Entity. The Entity policies include financial risk management policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), liquidity risk and credit risk. Periodic reviews are undertaken to ensure that the Entity's policy guidelines are complied with.

28 Financial risk management objectives (continued)

There has been no change to the Entity's exposure to these financial risks or the manner in which it manages and measures the risk.

The Entity is exposed to the following risks related to financial instruments. The Entity has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Entity does not enter into or trade in financial instruments, investment in securities, including derivative financial instruments, for speculative or risk management purposes.

a) *Foreign currency risk management*

The Entity undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

There are no significant exchange rate risks, as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or U.S. Dollars to which the Arab Emirates Dirhams is fixed.

b) *Interest rate risk management*

The Entity's exposure to the risk of changes in market interest rates relates primarily to the Entity's borrowings with floating interest rates. The Entity's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's profit for the year then ended would (decrease)/increase by AED 1,616,732 (2017: (decrease)/increase by AED 1,685,737).

c) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Entity has access to loans from its shareholders at its disposal to further reduce liquidity risk.

Liquidity and interest risk table:

The table on the following page summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the statement of financial position date based on contractual repayment arrangements were as follows:

28 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk table (continued)

	Interest bearing			Non Interest bearing			
Particulars	**On demand or less than 3 months**	**Within 1 year**	**More than 1 year**	**On demand or less than 3 months**	**Within 1 year**	**More than 1 year**	**Total**
				As at December 31, 2018			
Financial assets							
Trade receivables	-	-	-	-	28,906,203	-	28,906,203
Due from related parties	-	-	-	-	2,391,601	-	2,391,601
Deposits and other receivables	-	-	-	-	2,457,220	-	2,457,220
Cash and bank balances	-	-	-	606,264	-	-	606,264
	-	-	-	606,264	33,755,024	-	34,361,288
Financial liabilities							
Liability component of CCPS	-	-	13,889,901	-	-	-	13,889,901
Redeemable preference shares	-	-	192,521,039	-	-	-	192,521,039
Dividend payable on preference shares	-	-	26,858,249	-	-	-	26,858,249
Bank borrowings	11,485,250	57,537,852	254,317,006	-	-	-	323,340,108
Trade and other payables	-	-	-	-	24,240,073	-	24,240,073
	11,485,250	57,537,852	487,586,195	-	24,240,073	-	580,849,370
				As at December 31, 2017			
Financial assets							
Trade receivables	-	-	-	-	27,469,026	-	27,469,026
Due from related parties	-	-	-	-	77,086	-	77,086
Deposits and other receivables	-	-	-	-	2,527,196	-	2,527,196
Cash and bank balances	-	-	-	2,321,937	-	-	2,321,937
	-	-	-	2,321,937	30,073,308	-	32,395,245

28 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

	Interest bearing			Non Interest bearing			
Particulars	**On demand or less than 3 months**	**Within 1 year**	**More than 1 year**	**On demand or less than 3 months**	**Within 1 year**	**More than 1 year**	**Total**
				As at December 31, 2017			
Financial liabilities							
Liability component of CCPS	-	-	15,440,278	-	-	-	15,440,278
Redeemable preference shares	-	-	158,476,964	-	-	-	158,476,964
Dividend payable on preference shares	-	-	20,319,119	-	-	-	20,319,119
Bank borrowings	11,792,145	35,588,809	289,766,508	-	-	-	337,147,462
Trade and other payables	-	-	-	-	30,447,066	-	30,447,066
	11,792,145	35,588,809	484,002,869	-	30,447,066	-	561,830,889

d) *Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly.

Trade receivables consist of a number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are disclosed in notes 9 & 11 to the financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

29 Capital risk management

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

30 Contingent liabilities

	As at December 31, 2018	2017
Letter of guarantees	**2,340,398**	2,286,725

Except for the above and ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known contingent liability on the Entity's financial statements as of the reporting date.

31 Commitments

	As at December 31, 2018	2017
Commitment towards acquisition of property plant and equipment	**3,631,752**	656,369

The Entity obtained a land Plot no. 7, Block K, Habhab, Tawain, Fujairah - United Arab Emirates under operating lease from Fujairah Municipality, Fujairah - United Arab Emirates. The lease is for a period of 25 years, with an option to renew the lease after that date for further 25 years (note 5).

Non-cancelable operating lease commitments:	As at December 31, 2018	2017
Not longer than 1 year	**8,212,268**	8,376,421
Longer than 1 year and not longer than 5 years	**34,524,704**	33,505,684
Longer than 5 years	**89,840,596**	92,140,631

Except for the above and ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known commitment on the Entity's financial statements as of reporting date.

32 Reclassifications

During the year, the management have done certain reclassifications on the statement of profit or loss for better presentations.

Reclassifications in administrative expenses

	2017		
	Previously reported	Reclassification	2017
Salaries and related benefits	5,086,512	178,702	5,265,214
Legal and professional expenses	1,382,301	(563,222)	819,079
Miscellaneous	861,910	384,520	1,246,430

The above reclassifications have no impact on the statement of profit or loss and other comprehensive income.