

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

Auditor's report and consolidated financial statements  
For the year ended December 31, 2019



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

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**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

**General information**

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Principal Office Address : P.O. Box: 5325  
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Fujairah - United Arab Emirates  
T: +971 7 2440600  
F: +971 7 2440611

Website : jkcementuae.com

The Managing Director	: Name	Nationality
	Mr. Yadupati Singhania	Indian

The Auditor : UHY James Chartered Accountants  
P.O. Box: 118863  
Dubai - United Arab Emirates

The Main Banks : State Bank of India  
Axis Bank Limited  
Export - Import Bank of India  
Canara Bank  
National Bank of Fujairah  
Industrial Development Bank of India  
Bank of Baroda



## Message from the Board of Directors

Dear Shareholders,

Your Directors submit their Annual Report and Audited Statements of Accounts for the year ended 31<sup>st</sup> December, 2019.

### **Economic outlook and Financial performance of year 2019**

UAE's economic growth accelerated only moderately in 2019 over 2018. Despite a relatively subdued oil prices prevailed throughout the year, government spending has been continued and expected to upsurge over the coming years. New investment plans started to embark along with enhanced stimulus leads for FDIs. Dubai has been ranked fifth in the International Shipping Centre Development Index (ISCDI) for the second consecutive year and continues to shine on the global naval map. Government of Fujairah has committed to expanding the Port of Fujairah for enhanced economic importance in the global and regional maritime business, which is expected to positively contribute in logistics leads of the Company. Financial support from the government, advanced infrastructure, high per capita income along with the country's hydrocarbon resources has led for the UAE's 'Aa2 stable' credit profile. Series of new projects being launched ahead of Expo 2020 and are stimulating economic activities particularly in the trading and construction sectors. The construction sector was number one in the top ten list of business activities that acquired licenses in the UAE in 2019.

Cement sector continued to suffer from regional over capacities. Sheer price pressure to secure market share and volumes was prevailed throughout the year caused by discounted white cement imports and additional new white cement capacities added up in neighboring countries. Distant export market segment has negatively compressed due to competitive pricing. Logistics costs have been significantly amplified due to newly added levies in terms of toll charges, insurance premiums and environmental surcharge fees which severely affected the margins.

Irrespective of said macro-economical challenges confronted, overall financial performance and outcome was sustained through vigilance strategic leads. In aim of reinforcing and capitalizing the potential, management has initiated a robust strategic business turnaround plan with key focus comprise of new market expansion, new product development and launch, technical Excellence and corporate reorganization.



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**Registered Office** - Room No 5, Block A, Free Tradezone, Fujairah, UAE

**Marketing Office** - The Citadel Tower, Office 2007-2008, Business Bay, Dubai, UAE

**Site Office** - Plot No. 7, Block - K, Habhab - Tawian, Fujairah, UAE

**Holding Company** : J.K.Cement Ltd. (CIN : L17229UP1994PLC017199) Kamla Tower,

Kanpur-208001, U.P., India Ph: +(91-512) 2371478-81; Fax: +(91-512) 2399854 Website: www.jkcement.com





The outcome of these leads has been just started to be visible in the top line and profitability in 2019 and shall be realized in full during years ahead.

Financial highlights of year ended 2019 – Consolidated results:

- Y-oY growth of 21% in total sales volume, clinker cement and allied products in year 2019 vs 2018 (**YE 2019:** Total sales volume of 426,011 Mt vs **YE 2018:** Total sales volume of 351,080 Mt).
- Revenue of AED 153.7 Mn for the year 2019 vs AED 140.9 Mn in year 2018, y-o-y growth of 9%.
- Gross margin of 27% for the year 2019 vs 19% in year 2018.
- Net loss before dividend on preference shares of AED 38.1 Mn for the year 2019 vs AED 37.2 Mn in the year 2018. **Net loss of financial year 2018** of AED 37.2 Mn included a **land rent waiver / one-time concession received of AED 10.7 Mn**. Therefore, **Net loss on like for like** basis before dividend on preference shares is AED 38.1 Mn for the year 2019 vs AED 47.9 Mn in the year 2018.
- Cash generated from operations: AED 28.5 Mn for the year 2019 vs negative AED 4.1Mn in year 2018.

Outlook 2020 and Strategy ahead

UAE shall continue to be one of the most attractive business environments for infrastructure in the world underpinned by robust opportunities across industry sectors, country's safe and advanced operating environment and private sector contribution in economic activities. The growing urban and advanced population is expected to ensure robust continuity of the demand for infrastructure. And further hosting of the Dubai World Expo 2020 will boost the UAE construction industry for completion and handover of large number of projects which shall ultimately lead for spiked growth on y-o-y, Dubai government has announced a special reserve of total expected expenditures in 2020 to support the objectives towards completion of activities for hosting the event. UAE is currently working with China for potential projects in order to enhance bilateral relationship between the countries. Saudi Arabia's (KSA) general budget for 2020 is revealing a progressive path and focus on balancing fiscal stability and economic growth despite oil market volatility. While further enhancing the regional



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alliance, UAE and KSA have signed new collaborative agreement in aim of to drive economic diversification and serve pent-up demand through stirring novel entrepreneurs and creating better market access. The UAE's fiscal policy is anticipated to remain strong along with usage of tax streams while boosting spend towards various stimulus leads to encourage privates sector contribution and attract FDIs.

As part of the business strategy the Company has developed and introduced white cement-based dry mix products to the market during the year. Development of further value-added products is in progress and expect to launch by early 2020. This new value added products vertical shall be contributing for incremental results in year 2020 and ahead in terms of capacity utilization and profitability to the bottom-line. . Dimensions of product quality, customer service, talent acquisition and corporate governance practices shall continue to be synchronized. Company's digital architecture shall remain to be under persistent transformation to enable enhanced operational efficiencies towards achieving the planned milestones.

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, Mr.Raghavpat Singhania, Mr. Paul Heinz Hugentober and Dr. Ibrahim Sa'ad Mohammad Ahmed 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, appointed as Independent Auditors in the 10<sup>th</sup> Annual General Assembly for conducting Audit for Calendar Year 2019 tendered resignation causing casual vacancy. The Shareholders in the Extraordinary General Assembly held on 24<sup>th</sup> December, 2019 approved/confirmed appointment of M/s. UHY James, Chartered Accountants, member of UHY International Ltd as Independent Auditors for conducting the audit for the year 2019. In the next Annual General Assembly, M/s. UHY James, Chartered Accountants is proposed to be appointed as Independent Auditors for conducting audit for the year 2020 subject to approval by the shareholders.



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### Subsidiary company and Branch office

JK White Cement (Africa) Ltd. is a subsidiary of the Company newly incorporated on 4<sup>th</sup> November, 2018 in United Republic of Tanzania under the Companies Act 2002 as a private company limited by shares, of which stake of 99.9 % is held by JK Cement Works (Fujairah) FZC. It is engaged in the principal business activity of importation and distribution of white cement and white cement-based value added products.

### Performance of M/s JK White Cement (Africa) Ltd for the period of 12 months ended 31<sup>st</sup> December 2019:

JK White Cement (Africa) Ltd has started its commercial operations in 2019 subsequent to the business and tax licenses received. During this first year of operations the Company has able to reach sales volume of 1,033 Mt of wall putty, recorded Revenue of TZS 1,247 Mn. For the year 2019 the Company's has ended up with a net loss of TZS 240 Mn in its first year of commercial operations and is planned to generate net profits going ahead along with enhanced sales volumes.

Further during the year 2019 JK Cement Works (Fujairah) FZC has engaged in related activities of incorporating a Branch office in Kenya in aim of enhancing market presence and its sales volume of white cement and white cement-based value added products which shall lead for incremental profitability of the Company.

### Share capital

The paid-up Equity share capital of the Company as of 31<sup>st</sup> December 2019 remained at AED 36,724,000. During the period under report no Equity shares were issued to the Company's shareholders of JK Cement (Fujairah) FZC and M/s Fujairah Investment Establishment.

Details of changes in the preference share capital are included in the Company's financial statements and it's notes in accordance with the IFRS.

### Particulars of Loans, Guarantees or Investment by the Company

Details of Loans, Guarantees and Investments are given in the Financial Statements and it's Notes for the year 2019.



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### Human resources and industrial relations

The Company has a structured induction process. Objective appraisal systems are in place for Senior Management Staff. The Corporate HR is effectively involved in nurturing, enhancing and retaining talent through job satisfaction, management development programme etc.

### Related party transactions

All the related party transactions are entered on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of Law. There are no materially significant related party transactions made by the Company with Directors or Key Managerial Personnel etc. which may have potential conflict with the interest of the Company at large or which warrants the approval of the shareholders. The details of the transactions with Related Party are provided in the Company's financial statements and it's notes in accordance with the IFRS. All Related Party Transactions are presented to the Audit and Compliance Committee and the Board.

### Internal financial controls and its adequacy

The Audit and Compliance Committee and Board ensures orderly and efficient conduct of its business including adherence to the Company's Policies, the safeguarding of its assets, the prevention and detection of Frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures.

The Company's internal control system is commensurate with its size, scale and complexities of its operations. The Audit and Compliance Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvements to strengthen the same. It also reviews the quarterly Internal Audit Reports.

### Corporate social responsibility (CSR)

Corporate Social Responsibility is an integral part of the Company's ethos and policy and it has been pursuing this on a sustained basis. During the period under report, the Company undertook various activities in this respect which include promotion of UAE's cultural heritage, liaising with students and universities in respective course leads, participation in environmental cleaning campaigns and community welfare activities. .



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### 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 2019 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 2019 and the results of its operation and its cash flows for the year ended on that date.

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,

  
**Raghavpat Singhania**  
Deputy Managing Director

Place: Fujairah, UAE.  
Date: 21<sup>st</sup> January 2020.

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Ref: JM/AR/2020/2014

**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 consolidated financial statements**

**Opinion**

We have audited the accompanying consolidated financial statements of **M/s. J.K. Cement Works (Fujairah) FZC**, (the "Parent Entity"), Fujairah Free Zone, Fujairah - United Arab Emirates and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the 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 consolidated 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.

**Other matter**

The financial statements of the Parent Entity for the year ended December 31, 2018 which are shown as comparatives, were audited by other auditors who expressed an unmodified opinion on those statements on February 26, 2019.

**Material uncertainty related to going concern**

We draw attention to note - 2 to the consolidated financial statements. The Group has incurred loss for the year amounting to AED 38,155,167 during the year, accumulated (losses) of AED 211,122,801 and total liabilities exceeded total assets by AED 121,971,414 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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

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



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

**Responsibilities of management and those charged with governance for the consolidated financial statements (continued)**

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 consolidated financial statements (continued)**

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

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

**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,

- We have obtained all the information and explanations which we consider necessary for our audit.
- The consolidated 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 Parent Entity.
- Proper books of accounts have been maintained by the Group.
- The contents of the Directors' report which relates to the consolidated financial statements are in agreement with the Group's books of account.
- The Group has not made any investments in shares and stocks during the year ended December 31, 2019.
- Note 10 to the consolidated financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group 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 Parent Entity, which would materially affect its activities or its consolidated financial position as at December 31, 2019.

**For UHY James Chartered Accountants**

  
James Mathew FCA, CPA

Managing Partner

Reg. No. 548

January 21, 2020

Dubai - United Arab Emirates



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of financial position as at December 31, 2019

(In Arab Emirates Dirham)

	Notes	2019	2018
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5	412,301,416	427,156,099
Intangible asset	6	6,968,127	9,937,095
Right-of-use assets	7	76,529,823	-
Deferred taxation		184,930	-
<i>Total non-current assets</i>		495,984,296	437,093,194
<i>Current assets</i>			
Inventories	8	42,160,548	34,735,810
Trade receivables	9	30,607,581	28,906,203
Due from related parties	10	628,110	2,364,999
Advances, deposits and other receivables	11	4,508,045	10,046,180
Cash and bank balances	12	825,759	606,264
<i>Total current assets</i>		78,730,043	76,659,456
<b>Total assets</b>		<b>574,714,339</b>	<b>513,752,650</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
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	(211,122,801)	(159,223,871)
Translation reserve		496	-
<i>Total equity</i>		<b>(121,971,414)</b>	<b>(70,072,980)</b>
<i>Non-current liabilities</i>			
Liability component of compulsory convertible preference shares	14	12,273,943	13,889,901
Redeemable preference shares and application money	16	235,599,354	192,521,039
Employees' end of service benefits	17	3,182,725	2,322,893
Dividend payable on preference shares	18	30,499,040	26,858,249
Bank borrowings - non-current portion	19	214,491,491	254,317,006
Lease liabilities - non-current portion	20	84,904,177	-
<i>Total non-current liabilities</i>		<b>580,950,730</b>	<b>489,909,088</b>





**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2019 (continued)

(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<i>Current liabilities</i>			
Bank borrowings - current portion	19	<b>66,243,607</b>	69,023,102
Lease liabilities - current portion	20	<b>12,793,737</b>	-
Trade and other payables	21	<b>36,697,679</b>	24,893,440
<i>Total current liabilities</i>		<b>115,735,023</b>	93,916,542
<b>Total liabilities</b>		<b>696,685,753</b>	583,825,630
<b>Total equity and liabilities</b>		<b>574,714,339</b>	513,752,650


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

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


The consolidated financial statements on pages 8 to 42 were approved on January 21, 2020 and signed on behalf of the Group, by:



Chief Executive Officer



Company Secretary



Chief Financial Officer

Deputy Managing Director  
(Raghavpat Singhania)



Director



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019

(In Arab Emirates Dirham)

	Notes	2019	2018
Revenue	22	153,731,517	140,964,721
Cost of revenue	23	(112,767,594)	(114,263,706)
<b>Gross profit</b>		<b>40,963,923</b>	<b>26,701,015</b>
Other income	24	473,639	7,415,821
Selling and distribution expenses	25	(42,115,990)	(36,003,749)
Administrative expenses	26	(11,749,677)	(10,541,635)
Directors' remuneration	10	(550,000)	(550,000)
Finance costs	27	(25,361,352)	(24,256,859)
<b>(Loss) before taxation for the year</b>		<b>(38,339,457)</b>	<b>(37,235,407)</b>
Taxation		184,290	-
<b>(Loss) after taxation for the year</b>		<b>(38,155,167)</b>	<b>(37,235,407)</b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operation		496	-
<b>Total comprehensive (loss) for the year</b>		<b>(38,154,671)</b>	<b>(37,235,407)</b>

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

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

The consolidated financial statements on pages 8 to 42 were approved on January 21, 2020 and signed on behalf of the Group, by:



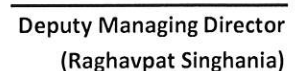
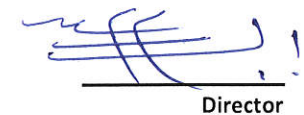
Chief Executive Officer



Company Secretary



Chief Financial Officer


Deputy Managing Director  
(Raghavpat Singhania)


Director



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of changes in equity for the year ended December 31, 2019  
(In Arab Emirates Dirham)

	Share capital	Equity component of compulsory convertible preference shares	Accumulated (losses)	Translation reserve	Total equity
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)
Effect of adoption of IFRS 16 (note 3.3.1)	-	-	(13,743,763)	-	(13,743,763)
Balance as at January 01, 2019 (Restated)	36,724,000	52,426,891	(172,967,634)	-	(83,816,743)
(Loss) for the year	-	-	(38,155,167)	-	(38,155,167)
Exchange difference on translating foreign operation	-	-	-	496	496
<b>Balance as at December 31, 2019</b>	<b>36,724,000</b>	<b>52,426,891</b>	<b>(211,122,801)</b>	<b>496</b>	<b>(121,971,414)</b>

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

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





**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of cash flows for the year ended December 31, 2019

(In Arab Emirates Dirham)

	2019	2018
<b>Cash flows from operating activities</b>		
(Loss) for the year (before taxation)	(38,339,457)	(37,235,407)
<i>Adjustments for:</i>		
(Gain)/loss on disposal of property, plant and equipment	(1,269)	42,453
Depreciation on property, plant and equipment	24,255,625	24,950,015
Depreciation on right-of-use assets	6,172,386	-
Provision for employees' end of service benefits	926,925	525,354
Allowance for expected credit loss	297,370	-
Finance costs	25,361,352	24,256,859
Amortisation of intangible asset	183,867	253,763
<b>Operating profit before changes in operating assets and liabilities</b>	<b>18,856,799</b>	<b>12,793,037</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	(7,424,738)	(1,301,647)
Trade receivables	(1,998,748)	(1,437,177)
Due from related parties	1,736,889	(2,314,515)
Advances, deposits and other receivables	5,538,135	(5,912,736)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	11,804,239	(6,012,412)
<b>Cash generated from/(used in) operations</b>	<b>28,512,576</b>	<b>(4,185,450)</b>
Finance costs paid	(18,897,733)	(19,268,106)
Employees' end of services benefits paid	(67,093)	(487,751)
Payment of tax	(2,403)	-
<b>Net cash from/(used in) operating activities</b>	<b>9,545,347</b>	<b>(23,941,307)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(9,402,378)	(1,708,290)
Acquisition of intangible asset	(13,833)	-
Proceeds from disposal of property, plant and equipment	2,705	5,956
Other non-current asset	-	3,691,247
<b>Net cash (used in)/from investing activities</b>	<b>(9,413,506)</b>	<b>1,988,913</b>



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of cash flows for the year ended December 31, 2019 (continued)

(In Arab Emirates Dirham)


	2019	2018
<b>Cash flows from financing activities</b>		
Redeemable preference shares and application money	43,078,315	34,044,075
(Repayment) of term loans	(37,222,795)	(30,354,596)
(Repayment)/proceeds from bank borrowings	(5,382,215)	16,547,242
(Repayment) of lease liabilities	(387,910)	-
<b>Net cash from financing activities</b>	<b>85,395</b>	<b>20,236,721</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>217,236</b>	<b>(1,715,673)</b>
Net movement in translation reserve net of taxation	2,259	-
Cash and cash equivalents, beginning of the year	606,264	2,321,937
<b>Cash and cash equivalents, end of the year</b>	<b>825,759</b>	<b>606,264</b>
<b>Cash and cash equivalents</b>		
Cash in hand	43,868	3,720
Cash at banks	781,891	602,544
	<b>825,759</b>	<b>606,264</b>

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

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



Chief Executive Officer



Company Secretary



Chief Financial Officer


Deputy Managing Director  
(Raghavpat Singhania)


Director



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2019

**1 Legal status and business activities**

- 1.1** M/s. J.K. Cement Works (Fujairah) FZC, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Parent 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, Fujairah - United Arab Emirates.
- 1.2** The Parent 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 Parent Entity is P.O. Box: 5325, Fujairah Free Zone, Fujairah - United Arab Emirates.
- 1.4** The Parent Entity is a step down subsidiary of M/s. J.K. Cement Ltd. "Ultimate Parent", an Indian Company incorporated under The Companies Act, 1956. The management and control of the Parent Entity is vested with the Board of Directors and day to day affairs of the Parent Entity are controlled and managed by Chief Executive Officer, Mr. Amit Kothari who is responsible to the Board.
- 1.5** These consolidated financial statements incorporate the operating results of the Commercial license no. 2249 and of the subsidiary (note 1.6).
- 1.6** The Parent Entity has the following subsidiary over which it exercises effective control:

	<u>Name of subsidiary and domicile</u>	<u>Percentage of shareholding</u>	<u>Percentage of beneficial holding</u>		<u>Date of incorporation</u>	<u>Principal activities</u>
			<u>2019</u>	<u>2018</u>		
i)	M/s. JK White Cement (Africa) Limited, Tanzania	99.9%	100%	-	November 04, 2018	It is engaged in the business of manufacturing/trading/import/export of all types of cement, wall putty, other allied products, cement clinker, limestone, gypsum, coal and other allied products including value added products.

**2 Material uncertainty related to going concern**

The consolidated 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 Group has incurred loss amounting to AED 38,155,167 during the year, accumulated (losses) of AED 211,122,801 and total liabilities exceeded total assets by AED 121,971,414 as at the reporting date.

However, these consolidated financial statements have been prepared on a going concern basis as the Ultimate Parent has agreed to provide necessary financial support to enable the Group to continue its operation and settle its obligation as and when they fall due. Also, the management is in process of developing and implementation of new products and focusing on new markets beyond GCC region which is expected to increase business volume and enhance profitability in coming years. Accordingly, these consolidated 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 Group be unable to continue as a going concern.



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2019

**3 New standards and amendments**

**3.1 New standards and amendments applicable as on January 01, 2019**

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 1, 2019.

- IFRS 16 - Leases
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- IFRS 17 - Insurance Contracts
- Amendments to IFRIC 23 Uncertainty over Income Tax Treatments

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

The following standards and interpretations had been issued but not yet mandatory for annual reporting periods ending December 31, 2019.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material –Amendments to IAS 1 and IAS 8	January 1, 2020
Definition of a Business – Amendments to IFRS 3	January 1, 2020
Conceptual Framework for Financial Reporting - Amendments	January 1, 2020
IFRS 17 - Insurance Contracts	January 1, 2021

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

**3.3 Impact of standards adopted in 2019**

**3.3.1 IFRS 16 Leases**

IFRS 16 was issued in January 2016 and had superseded IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 01, 2019. Prior periods have not been restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). "Short term leases" and "low-value assets" are account for as lease expense on a straightline basis over the remaining lease term.

**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2019

**3 New standards and amendments (continued)****3.3 Impact of standards adopted in 2019 (continued)****3.3.1 IFRS 16 Leases (continued)**

The Group has lease contract for factory land and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets, receivables, deposits and prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application and accordingly, the cumulative effect of initially applying the standard (if any) is recognised as an adjustment to the opening balance of accumulated (losses).

The Group has reassessed the existing lease arrangements which was previously recognised as 'operating lease' under IAS 17 based on the remaining contractual terms of the lease and recorded as a 'lease' under IFRS 16. The loss arising on lease amounting to AED 13,743,763 has been recorded as transition adjustments in the opening balance of accumulated (losses) and other adjustments which are detailed below:

	AED
Net effect on accumulated (losses) due to recognition of right-of-use assets (note 15)	13,743,763
Net effect due to reclassification of the intangible asset (note 6)	2,798,934

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets	Lease liabilities
	AED	AED
As at January 01, 2019 (net)	82,359,907	93,304,736
Additions during the year	342,302	342,302
Depreciation expense (note 7)	(6,172,386)	-
Interest expense (note 27)	-	4,438,786
Lease payments	-	(387,910)
As at December 31, 2019 (net)	76,529,823	97,697,914
		Jan 01, 2019
<b>Lease liability comprise:</b>		(AED)
Undiscounted lease payments		131,653,024
Effect of discounting using incremental borrowing rate		(38,348,288)
Total lease liabilities recognised under IFRS 16 at January 01, 2019		93,304,736

**4 Significant accounting policies****4.1 Statement of compliance**

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



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

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Notes to the consolidated financial statements for the year ended December 31, 2019

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**4 Significant accounting policies (continued)**

**4.2 Basis of preparation**

The consolidated 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 consolidated financial statements are set out below.

**4.3 Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Parent Entity and subsidiary controlled by the Parent Entity. Control is achieved where the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and upto the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with those of the other subsidiaries in the Group.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation.

**4.4 Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Business combination involving entities under common control that are outside the scope of IFRS 3 Business Combinations are accounted using the principles of reverse acquisition. In applying reverse acquisition, financial statement items, except the legal capital, of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. Legal capital in the comparative periods are retroactively adjusted to reflect the legal capital of the Parent Entity.

**4.5 Current/Non current classification**

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



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2019

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**4 Significant accounting policies (continued)**

**4.5 Current/Non current classification (continued)**

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 Group classifies all other liabilities as non-current.

**4.6 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 Group.

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 Group 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.

**4.7 Foreign currency**

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group'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 consolidated profit or loss in the period in which they arise.

**4.8 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to consolidated profit or loss during the financial period in which they are incurred.

**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

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Notes to the consolidated financial statements for the year ended December 31, 2019

**4 Significant accounting policies (continued)**

**4.8 Property, plant and equipment (continued)**

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:

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

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 consolidated statement of profit or loss.

Capital work-in-progress

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 Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**4.9 Leases**

The Group assesses at the inception of a contract, whether the contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

**4.9.1 Group as lessee**

The Group applies a single recognition and measurement approach for all leases whereby right-of-use assets and lease liabilities are recognized except for the short-term leases and leases of low-value assets.



**4 Significant accounting policies (continued)**

**4.9 Leases (continued)**

*4.9.1 Group as lessee (continued)*

Right-of-use assets

The Group recognizes right-of-use assets at the lease commencement date i.e. the date on which the assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of assets comprise the amount of initial lease liabilities recognised, initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease and lease payments made at or before the commencement date less any lease incentives received. In addition, the Group also assesses the right-of-use asset for impairment when such indicators exist.

Depreciation is spread over the shorter of lease term and the estimated useful lives of the assets using straight-line method. The shorter of lease term and the estimated useful lives of the right-of-use assets have been listed below:

	<u>Years</u>
Land	16.5
Motor vehicles	3

If ownership of the leased asset transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date, the Group measures lease liabilities at present value of the lease payments that are not paid at that date. The lease payments include fixed payments less any lease incentives receivable, variable lease payments, amount expected to be paid as guaranteed residual value, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease. The Group uses its incremental borrowing rate if interest rate implicit in the lease is not readily determinable, to measure the present value of lease payments.

Subsequent to initial measurement, the Group remeasures lease by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount is remeasured if there are modification in lease contracts or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liability for short term lease contracts (i.e. lease period less than or equal to 12 months from the date of commencement) and for low value assets. The Group recognises payments associated with these leases as an expense on a straight-line basis over the lease term.

**4.10 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)**

**4.11 Impairment of tangible and intangible assets**

At the end of each reporting period, the Group 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 Group 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 consolidated 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 consolidated statement of profit or loss.

**4.12 Financial instruments**

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

**4.13 Financial assets**

Classifications

The Group 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 Group's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Group 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 consolidated statement profit or loss.

Financial assets comprise of cash and cash equivalents, trade and other receivables, due from related parties and other financial assets.



**J.K. Cement Works (Fujairah) FZC and its subsidiary**

Fujairah Free Zone

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Notes to the consolidated financial statements for the year ended December 31, 2019

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**4 Significant accounting policies (continued)**

**4.13 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 uncollectible amounts. The Group 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 serious 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 Group 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 Group 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 Group. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amounts, it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

**4.14 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 Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

#### **4 Significant accounting policies (continued)**

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

##### **4.15 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

##### **4.16 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.

##### **4.17 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.

##### **4.18 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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)**

##### **4.18 Provisions (continued)**

When some or 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.

##### **4.19 Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Entity expects to be entitled in exchange for those goods or services.

###### *Sale of goods or services*

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 Group expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Group 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 is 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 products 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.

##### **4.20 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group'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. Actual results may differ from these estimates.

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 below.

###### **Critical judgements in applying accounting policies**

In the process of applying the Group'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 consolidated financial statements.

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**4 Significant accounting policies (continued)**

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

**Critical judgements in applying accounting policies (continued)**

*Determining the timing of satisfaction of performance obligations - revenue recognition*

In making their judgement, the Group considers the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Group has transferred control of the goods to the customer. The management is satisfied that control has been transferred and that recognition of an appropriate warranty provision as applicable.

*Business model assessment - classification and measurement of consolidated financial statements*

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

*Lease term - the Group as lessee*

The Group determines lease term as the non-cancellable period of a lease together with any periods covered with an option to extend or terminate. The management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease contract. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate it.

**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 Group 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.

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**4 Significant accounting policies (continued)**

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

**Key sources of estimation uncertainty (continued)**

*Impairment of financial assets*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group'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 consolidated financial statements.

*Incremental borrowing rate for leases*

The Group uses incremental borrowing rate to measure lease liabilities if interest rate implicit in the lease is not readily determinable. Incremental borrowing rate represents the rate of interest that Group would have to pay on funds necessary to obtain a similar asset, on similar term, with a similar security in a similar economic environment. The management estimates incremental borrowing rate using observable inputs and Group specific estimates.



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<b>5 Property, plant and equipment</b>						
	<u>Building and improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures and office equipments</u>	<u>Capital work-in- progress</u>	<u>Total</u>
<b>Cost</b>						
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
Transferred during the year	-	(2,425,174)	2,446,645	53,750	(75,221)	-
Disposal 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
Addition during the year	90,750	854,740	-	288,489	8,168,399	9,402,378
Transferred during the year	-	7,025,277	-	-	(7,025,277)	-
Disposal during the year	-	(29,746)	-	-	-	(29,746)
<b>As at December 31, 2019</b>	<b>109,770,290</b>	<b>415,243,356</b>	<b>3,945,780</b>	<b>2,581,302</b>	<b>4,717,500</b>	<b>536,258,228</b>
<b>Accumulated depreciation</b>						
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
On transfer 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
Charge for the year	5,352,210	18,516,695	96,283	290,437	-	24,255,625
Eliminated on disposals during the year	-	(28,310)	-	-	-	(28,310)
<b>As at December 31, 2019</b>	<b>27,917,198</b>	<b>90,673,606</b>	<b>3,677,559</b>	<b>1,688,449</b>	<b>-</b>	<b>123,956,812</b>
<b>Carrying value as at December 31, 2019</b>	<b>81,853,092</b>	<b>324,569,750</b>	<b>268,221</b>	<b>892,853</b>	<b>4,717,500</b>	<b>412,301,416</b>
Carrying value as at December 31, 2018	87,114,552	335,207,864	364,504	894,801	3,574,378	427,156,099



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**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 32).
- Breakup of depreciation charged:

	Notes	For the year ended December 31,	
		2019	2018
Cost of revenue	23	23,397,239	23,732,586
Selling and distribution expenses	25	45,701	29,344
Administrative expenses	26	812,678	1,188,085
		<u>24,255,618</u>	<u>24,950,015</u>



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	2019	2018
<b>6 Intangible asset</b>		
The carrying value of the intangible asset is as follows:		
<b>Cost</b>		
Balance at the beginning of year	11,017,500	11,017,500
Effect on adoption of IFRS 16 as at Jan 01, 2019 (note 3.3.1)	(3,103,247)	-
Balance at the beginning of year (restated)	7,914,253	11,017,500
Addition during the year	13,833	-
Balance at the end of year	7,928,086	11,017,500
<b>Accumulated amortisation</b>		
Balance at the beginning of year	1,080,405	826,642
Effect on adoption of IFRS 16 as at Jan 01, 2019 (note 3.3.1)	(304,313)	-
Balance at the beginning of year (restated)	776,092	826,642
Amortisation for the year (note 23)	183,867	253,763
Balance at the end of year	959,959	1,080,405
<b>Carrying value as at the end of the year</b>	6,968,127	9,937,095

The above includes cost of securing the lease of mine. The lease has an extended period of 50 years from the date it was initially secured. The Group is amortising lease acquisition cost over the extended lease period from the commencement of its commercial operations. The addition of AED 13,833 represents cost of software purchased during the year which is amortised over a period of 3 years on a straight line basis.

**7 Right-of-use assets**

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

<b>Cost</b>		
Upon adoption of IFRS 16 as at Jan 01, 2019 (note 3.3.1)	95,523,759	-
Addition during the year	342,302	-
Disposal during the year	(173,127)	-
Balance at the end of year	95,692,934	-
<b>Accumulated depreciation</b>		
Upon adoption of IFRS 16 as at Jan 01, 2019 (note 3.3.1)	13,163,852	-
Charge for the year	6,172,386	-
Elimination against disposal	(173,127)	-
Balance at the end of year	19,163,111	-
<b>Carrying value as at the end of year</b>	76,529,823	-

- Breakup of depreciation charged:

		For the year ended December 31,	
	Notes	2019	2018
Cost of revenue	23	5,893,520	-
Selling and distribution expenses	25	39,249	-
Administrative expenses	26	239,418	-
		6,172,187	-



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**7 Right-of-use assets (continued)**

During the year, the Group recognised following right-of-use assets upon adoption of IFRS 16 (note 3.3.1):

- lease rights of land situated at Plot no. 7, Block K, Habhab, Tawain - Fujairah - United Arab Emirates on which factory building and plant and machinery are erected. The Group has considered an effective lease period of 16.5 years ending on December 31, 2032 for the purpose of recognition of right-of-use asset. The said asset is amortised over the effective period of lease on straight line basis.
- lease rights for motor vehicles which are amortised over the effective period of lease.

	2019	2018
<b>8 Inventories</b>		
Raw materials	10,794,901	8,238,367
Fuel	5,311,149	8,309,123
Packing materials	1,650,256	2,062,855
Finished goods	2,119,442	1,023,452
Semi finished goods and work-in-progress	10,558,157	6,469,113
Spare parts and consumables	9,658,125	8,632,900
	40,092,030	34,735,810
Goods-in-transit	2,068,518	-
	42,160,548	34,735,810

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

**9 Trade receivables**

Trade receivables	30,904,951	28,906,203
Less: Allowance for expected credit loss	(297,370)	-
	30,607,581	28,906,203

Coverage:

Secured against bank guarantee	14,098,798	17,239,055
Secured against letter of credit/ bill of lading	9,791,975	8,111,991
Secured against credit insurance and others	7,014,178	3,555,157
	30,904,951	28,906,203

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

The average credit period for the trade receivables is 60/120 days (2018: 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 Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Ageing of trade receivables:

	2019	2018
1 - 90 days	24,108,924	20,625,624
91 - 120 days	3,039,220	2,609,032
121 days and above	3,756,807	5,671,547
	30,904,951	28,906,203

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**9 Trade receivables (continued)***Impairment of trade receivables*

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected losses allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

As at December 31, 2019, allowance for expected credit loss on trade receivables was provided at an average lifetime expected credit losses rate of 1% (2018: Nil).

	2019	2018
Charge during the year (note 26)	297,370	-
Balance at the end of the year	297,370	-

*Geographical analysis:*

The geographical analysis of trade receivables are as follows:

Outside U.A.E.	17,622,366	16,585,352
Within U.A.E.	13,282,585	12,320,851
	30,904,951	28,906,203

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

	2019	2018
<b>a) Due from related parties</b>		
<i>Ultimate Parent</i>		
M/s. J.K. Cement Ltd, Kanpur - India	432,553	2,230,757
<i>Immediate parent</i>		
M/s. J.K. Cement (Fujairah) FZC, Fujairah - U.A.E.	195,557	134,242
	628,110	2,364,999

**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,	
	2019	2018
Revenue (note 22)	16,304,100	3,614,181
Commission income (note 24)	457,635	208,869
Interest on preference shares (note 27)	2,024,833	4,988,753
Purchases	1,026,856	-
Directors' emoluments	59,021	-
Directors' remuneration	550,000	550,000

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	2019	2018
<b>11 Advances, deposits and other receivables</b>		
Prepayments	1,002,871	985,208
Advance for capital assets	526,184	4,557,411
Advance to suppliers	1,099,260	2,019,739
Staff loans and advances	605,905	481,439
Deposits	140,411	393,971
VAT receivable	1,131,019	1,581,810
Current tax recoverable	2,395	-
Other receivable	-	26,602
	<b>4,508,045</b>	<b>10,046,180</b>
<b>12 Cash and bank balances</b>		
Cash in hand	43,868	3,720
Cash at banks	781,891	602,544
	<b>825,759</b>	<b>606,264</b>

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 Parent 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	2019	2018
M/s. J.K. Cement (Fujairah) FZC	U.A.E.	90	33,052	33,052,000	33,052,000
Fujairah Investment Establishment (Government of Fujairah)	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 Group 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 consolidated financial statements accordingly. At the time of conversion, the This represents cost of securing the lease of factory land and mines on which the Group's factory buildings, plant and facilities are erected 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 Group has issued 73,450 compulsory convertible preference shares of AED 1,000 each.

<b>a) Equity component of compulsory convertible preference shares</b>	<b>2019</b>	<b>2018</b>
Balance at the beginning and end of the year	<b>52,426,891</b>	<b>52,426,891</b>



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	2019	2018
<b>14 Compulsory convertible preference shares (continued)</b>		
<b>b) Liability component of compulsory convertible preference shares</b>		
Balance at the beginning of the year	13,889,901	15,440,278
Amortization during the year	(1,615,958)	(1,550,377)
Balance at the end of the year	<u>12,273,943</u>	<u>13,889,901</u>
<b>15 Accumulated (losses)</b>		
Balance at the beginning of the year	(159,223,871)	(121,988,464)
Effect of adoption of IFRS 16 as at January 01, 2019 (note 3.3.1)	(13,743,763)	-
Balance at the beginning of the year (restated)	(172,967,634)	(121,988,464)
(Loss) for the year	(38,155,167)	(37,235,407)
Balance at the end of the year	<u>(211,122,801)</u>	<u>(159,223,871)</u>
<b>16 Redeemable preference shares and application money</b>		
Redeemable preference shares	218,926,000	144,521,000
Redeemable preference shares application money	16,673,354	48,000,039
	<u>235,599,354</u>	<u>192,521,039</u>

In order to raise fund for the property, plant and equipment and to meet working capital requirements, the Group issued 218,926 (2018:144,521) mandatorily redeemable preference shares of AED 1,000 each which are redeemable after 11 to 14 years and carry dividend @ 3% p.a.

During the year, the Group issued further 74,705 non-cumulative redeemable preference shares of AED 1,000 each which are redeemable after 11 to 14 years and carry non-cumulative dividend @ 3% p.a. As on May 02, 2019, the Group has converted 144,521 cumulative redeemable preference shares into non cumulative redeemable preference shares. Accordingly, Group has not accrued any interest at above shares with effective from May 02, 2019 due to the non-availability of profits during the year.

The redeemable preference shares do not carry right to vote, bear discretionary dividends, are redeemable in cash to the holders and are hence classified as financial liabilities.

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

	2019	2018
<b>17 Employees' end of service benefits</b>		
Balance at the beginning of the year	2,322,893	2,285,290
Add: Charge for the year	926,925	525,354
Less: Paid during the year	(67,093)	(487,751)
Balance at the end of the year	<u>3,182,725</u>	<u>2,322,893</u>

Amounts required to cover end of service indemnity at the consolidated 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.

<b>18 Dividend payable on preference shares</b>		
Dividend payable on redeemable preference shares	17,314,225	15,876,934
Dividend payable on compulsory convertible preference shares	13,184,815	10,981,315
	<u>30,499,040</u>	<u>26,858,249</u>

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**18 Dividend payable on preference shares (continued)**

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.

	<u>2019</u>	<u>2018</u>
<b>19 Bank borrowings</b>		
<b>a) Due to banks</b>		
Bank overdraft	953,997	11,485,250
Trust receipts	12,093,290	17,810,224
Bills discounted	8,848,685	4,824,056
Short term loan *	13,944,000	7,102,657
	<u>35,839,972</u>	<u>41,222,187</u>

\* 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 loan**

Balance at the beginning of the year	282,117,921	312,472,517
Less: Repaid during the year *	<u>(37,222,795)</u>	<u>(30,354,596)</u>
Balance at the end of the year	<u>244,895,126</u>	<u>282,117,921</u>

\* Repayment amount is stated net of AED 221,071 (2018: AED 221,071) being amortization of refinancing charges.

**Comprising:**

Current portion	30,403,635	27,800,915
Non-current portion	214,491,491	254,317,006
	<u>244,895,126</u>	<u>282,117,921</u>

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.

**Bank borrowings - short term liabilities**

Due to banks (refer a)	35,839,972	41,222,187
Term loans (refer b)	30,403,635	27,800,915
	<u>66,243,607</u>	<u>69,023,102</u>

**Bank borrowings - long term liabilities**

Term loans (refer b)	214,491,491	254,317,006
<b>Total bank borrowings (a + b)</b>	<u>280,735,098</u>	<u>323,340,108</u>

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.

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**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).

	<u>2019</u>	<u>2018</u>
<b>20 Lease liabilities</b>		
Balance upon adoption of IFRS 16 as at Jan 01, 2019 (note 3.3.1)	93,304,736	-
Addition during the year	342,302	-
Add: Interest charged during the year (note 3.3.1 & 27)	4,438,786	-
Less: Payments during the year	<u>(387,910)</u>	<u>-</u>
Balance at the end of the year	<u>97,697,914</u>	<u>-</u>

The above represents present value of lease payments of land and vehicles discounted at the rates ranging from 4.5 to 4.75 per annum.

**Comprising:**

Current portion	12,793,737	-
Non-current portion	<u>84,904,177</u>	<u>-</u>
	<u>97,697,914</u>	<u>-</u>

**Maturity profile of lease payments - contractual undiscounted cash flows:**

Less than 1 year	12,793,737	-
1 to 5 years	20,606,281	-
More than 5 years	<u>64,297,896</u>	<u>-</u>
	<u>97,697,914</u>	<u>-</u>

At December 31, 2019, the Group was committed to short-term leases payments amounting to AED 256,994.

	<u>For the year ended December 31, 2019</u>
<b>Amounts recognised in consolidated profit or loss:</b>	
Interest on lease liabilities	4,438,786
Depreciation expense (note 3.3.1)	6,172,386
<b>Payments not included in the measurement of the lease liability:</b>	
Expenses related to short term leases	<u>325,611</u>
<b>Net impact for the year</b>	<u>10,936,783</u>
<b>Amounts recognised in consolidated statement of cash flows:</b>	
Total cash outflows for leases	<u>(713,521)</u>





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<b>21 Trade and other payables</b>	<b>2019</b>	<b>2018</b>
Trade payables	16,119,806	11,246,169
Payable against capital assets	1,056,219	1,306,085
Advances from customers	1,066,787	653,367
Accrued expenses and provisions	18,429,519	11,583,912
VAT payable	25,348	103,907
	<b>36,697,679</b>	<b>24,893,440</b>
	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>22 Revenue</b>		
Cement	110,687,529	108,975,911
Clinker	41,397,401	31,988,810
Value added products	1,646,587	-
	<b>153,731,517</b>	<b>140,964,721</b>
<i>Geographical analysis:</i>		
Sales : Outside U.A.E.	118,155,803	101,529,620
: Within U.A.E.	35,575,714	39,435,101
	<b>153,731,517</b>	<b>140,964,721</b>

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

The performance obligation is satisfied on delivery of clinker/ cement/ value added products 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.

**23 Cost of revenue****Cost of goods sold**

Materials consumed	54,652,158	43,685,723
Utilities	14,152,949	12,745,514
Salaries and benefits	14,694,276	13,151,336
Other direct expenses	4,978,620	10,227,581
Depreciation on right-to-use assets (note 7)	5,893,520	-
Depreciation on property, plant and equipment (note 5)	23,397,239	23,732,586
Amortisation of intangible asset (note 6)	183,866	253,763
<b>Manufacturing cost</b>	<b>117,952,628</b>	<b>103,796,503</b>
Semi finished goods and work-in-progress at the beginning of the year	6,469,113	15,699,218
Semi finished goods and work-in-progress at the end of the year (note 8)	(10,558,157)	(6,469,113)
<b>Cost of goods manufactured</b>	<b>113,863,584</b>	<b>113,026,608</b>
Finished goods at the beginning of the year	1,023,452	2,260,550
Finished goods at the end of the year (note 8)	(2,119,442)	(1,023,452)
	<b>112,767,594</b>	<b>114,263,706</b>



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		For the year ended December 31,	
		2019	2018
<b>24 Other income</b>			
Land rent written back	-	6,713,860	
Insurance claim received	-	316,855	
Commission income (note 10)	457,635	208,869	
Gain on disposal of property, plant and equipment	1,269	-	
Miscellaneous receipts	14,735	176,237	
	<b>473,639</b>	<b>7,415,821</b>	
<b>25 Selling and distribution expenses</b>			
Salaries and benefits	7,118,730	8,602,887	
Freight and handling expenses	27,597,923	21,439,602	
Sales royalty	2,572,115	2,345,996	
Business promotion and other expenses	4,742,272	3,585,920	
Depreciation on right-of-use assets (note 7)	39,249	-	
Depreciation on property, plant and equipment (note 5)	45,701	29,344	
	<b>42,115,990</b>	<b>36,003,749</b>	
<b>26 Administrative expenses</b>			
Salaries and related benefits	6,061,502	5,300,914	
Rent	452,403	338,918	
Travelling and conveyance	623,271	481,612	
Legal and professional expenses	919,510	1,000,552	
Insurance	714,766	680,428	
Repairs and maintenance	165,862	148,411	
Communication	407,518	330,881	
Depreciation on right-of-use assets (note 7)	239,418	-	
Depreciation on property, plant and equipment (note 5)	812,678	1,188,085	
Allowance for expected credit loss (note 9)	297,370	-	
Loss on disposal of property, plant and equipment	-	42,453	
Miscellaneous	1,055,379	1,029,381	
	<b>11,749,677</b>	<b>10,541,635</b>	
<b>27 Finance costs</b>			
Interest on preference shares (note 10)	2,024,833	4,988,753	
Interest on lease liabilities (notes 3.3.1 & 20)	4,438,786	-	
Bank interest and charges	18,897,733	19,268,106	
	<b>25,361,352</b>	<b>24,256,859</b>	



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**28 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 and financial liability are disclosed in note 4 to the consolidated financial statements.

**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,	
	2019	2018	2019	2018
<i>Financial assets</i>	<b>Carrying amount</b>		<b>Fair value</b>	
Trade receivables	<b>30,607,581</b>	28,906,203	<b>30,607,581</b>	28,906,203
Due from related parties	<b>628,110</b>	2,364,999	<b>628,110</b>	2,364,999
Deposits and other receivables	<b>1,879,730</b>	2,483,822	<b>1,879,730</b>	2,483,822
Cash and bank balances	<b>825,759</b>	606,264	<b>825,759</b>	606,264
	<b>33,941,180</b>	34,361,288	<b>33,941,180</b>	34,361,288
<i>Financial liabilities</i>				
Liability component of compulsory convertible preference shares	<b>12,273,943</b>	13,889,901	<b>12,273,943</b>	13,889,901
Redeemable preference shares	<b>235,599,354</b>	192,521,039	<b>235,599,354</b>	192,521,039
Dividend payable on preference shares	<b>30,499,040</b>	26,858,249	<b>30,499,040</b>	26,858,249
Bank borrowings	<b>280,735,098</b>	323,340,108	<b>280,735,098</b>	323,340,108
Lease liabilities	<b>97,697,914</b>	-	<b>97,697,914</b>	-
Trade and other payables	<b>35,630,892</b>	24,240,073	<b>35,630,892</b>	24,240,073
	<b>692,436,241</b>	580,849,370	<b>692,436,241</b>	580,849,370

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, 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, redeemable preference shares and lease liabilities.

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 Group 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 materially 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.



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### 29 Financial risk management objectives

The Group management set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The Group 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 Group's policy guidelines are complied with.

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

The Group is exposed to the following risks related to financial instruments. The Group has not framed formal risk management policies, however, the risks are monitored by management on a continuous basis. The Group 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 Group 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 Dirham, other G.C.C. currencies or U.S. Dollar to which the Arab Emirates Dirham is fixed.

#### b) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group'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 Group's profit for the year then ended would (decrease)/increase by AED 1,403,675 (2018: (decrease)/increase by AED 1,616,732).

#### 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group 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 Group'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 consolidated statement of financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the consolidated statement of financial position date based on contractual repayment arrangements were shown on the following page:

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**29 Financial risk management objectives (continued)**

*c) Liquidity risk management (continued)*

Liquidity and interest risk table (continued)

Particulars	Interest bearing			Non Interest bearing			Total
	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	
As at December 31, 2019							
Financial assets							
Trade receivables	-	-	-	-	30,607,581	-	30,607,581
Due from related parties	-	-	-	-	628,110	-	628,110
Deposits and other receivables	-	-	-	-	1,879,730	-	1,879,730
Cash and bank balances	-	-	-	825,759	-	-	825,759
	-	-	-	825,759	33,115,421	-	33,941,180
Financial liabilities							
Liability component of CCPS	-	-	12,273,943	-	-	-	12,273,943
Redeemable preference shares	-	-	235,599,354	-	-	-	235,599,354
Dividend payable on preference shares	-	-	30,499,040	-	-	-	30,499,040
Bank borrowings	953,997	65,289,610	214,491,491	-	-	-	280,735,098
Lease liabilities	8,280,033	4,445,939	84,971,942				97,697,914
Trade and other payables	-	-	-	-	35,630,892	-	35,630,892
	9,234,030	69,735,549	577,835,770	-	35,630,892	-	692,436,241
As at December 31, 2018							
Financial assets							
Trade receivables	-	-	-	-	28,906,203	-	28,906,203
Due from related parties	-	-	-	-	2,364,999	-	2,364,999
Deposits and other receivables	-	-	-	-	2,483,822	-	2,483,822
Cash and bank balances	-	-	-	606,264	-	-	606,264
	-	-	-	606,264	33,755,024	-	34,361,288

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**29 Financial risk management objectives (continued)***c) Liquidity risk management (continued)*Liquidity and interest risk table (continued)

Particulars	Interest bearing			Non Interest bearing			Total
	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	
As at December 31, 2018							
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

*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 Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group'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 consolidated 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 consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risks.

**30 Capital risk management**

The Group 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 Group's overall strategy remains unchanged from prior year.

**31 Contingent liabilities**

Letter of guarantees

As at December 31,	
2019	2018
<u>2,336,725</u>	<u>2,340,398</u>

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 Group's consolidated financial statements as of reporting date.



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**32 Commitments**

	As at December 31,	
	2019	2018
Commitment towards acquisition of property plant and equipment	<u>1,879,530</u>	<u>3,631,752</u>

The Group 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-cancellable operating lease commitments:

	As at December 31,	
	2019	2018
Not longer than 1 year	-	8,212,268
Longer than 1 year and not longer than 5 years	-	34,524,704
Longer than 5 years	-	89,840,596

The Group adopted IFRS 16 "Leases" on January 01, 2019 and has recognized right-of-use assets and lease liability for these leases, except for short term leases and low-value assets (note 3.3.1).

**33 Reclassification**

Certain amounts for the prior year were reclassified to conform to current year's presentation. However, such reclassifications do not have any impact on the Group's previously reported financial result or equity.