

J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Auditor's report and separate financial statements

For the year ended December 31, 2020



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

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Ref: JM/AR/2021/3014

**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 separate financial statements**

**Opinion**

We have audited the accompanying separate financial statements of **M/s. J.K. Cement Works (Fujairah) FZC** ("Entity") which comprise the statement of financial position as at December 31, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for opinion**

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

**Material uncertainty related to going concern**

We draw attention to note - 2 to the separate financial statements. The Entity has incurred loss for the year amounting to AED 34,131,078 during the year, accumulated (losses) of AED 244,862,751 and total liabilities exceeded total assets by AED 155,711,860 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on other legal and regulatory requirements**

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

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The separate financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 and the Memorandum and Articles of Association of the Entity.



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

**Report on other legal and regulatory requirements (continued)**

- 3 Proper books of accounts have been maintained by the Entity.
- 4 Investment in shares and stocks are included in note 8 to the separate financial statements and include purchases and investments made by the Entity during the year ended December 31, 2020.
- 5 Note 11 to the separate financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- 6 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended, any of the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 or the Memorandum and Articles of Association of the Entity, which would materially affect its activities or its financial position as at December 31, 2020.

**For UHY James Chartered Accountants**

  
James Mathew FCA, CPA

Managing Partner

Reg. No. 548

January 30, 2021

Dubai - United Arab Emirates



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2020

(In Arab Emirates Dirham)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5	386,889,328	412,226,928
Intangible asset	6	9,551,792	6,955,873
Right-of-use assets	7	70,483,926	76,391,650
Investment in a subsidiary	8	798,111	798,111
Loans to a related party - non-current portion	11	651,869	550,875
<i>Total non-current assets</i>		<u>468,375,026</u>	<u>496,923,437</u>
<i>Current assets</i>			
Inventories	9	38,506,000	41,927,646
Trade receivables	10	18,675,562	30,182,691
Due from related parties	11	2,271,464	637,347
Loans to a related party - current portion	11	137,719	-
Advances, deposits and other receivables	12	6,254,695	4,395,109
Cash and bank balances	13	7,876,889	686,266
<i>Total current assets</i>		<u>73,722,329</u>	<u>77,829,059</u>
<b>Total assets</b>		<u>542,097,355</u>	<u>574,752,496</u>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	14	36,724,000	36,724,000
Equity component of compulsory convertible preference shares	15	52,426,891	52,426,891
Accumulated (losses)	16	(244,862,751)	(210,731,673)
<i>Total equity deficit</i>		<u>(155,711,860)</u>	<u>(121,580,782)</u>
<i>Non-current liabilities</i>			
Liability component of compulsory convertible preference shares	15	10,589,631	12,273,943
Redeemable preference shares and application money	17	282,544,492	235,599,354
Employees' end of service benefits	18	3,819,812	3,182,725
Dividend payable on preference shares	19	32,702,539	30,499,040
Bank borrowings - non-current portion	20	171,438,016	214,491,491
Lease liabilities - non-current portion	21	80,489,488	85,072,684
<i>Total non-current liabilities</i>		<u>581,583,978</u>	<u>581,119,237</u>



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2020 (continued)

(In Arab Emirates Dirham)

	Notes	2020	2019
<b>Equity and liabilities (continued)</b>			
<i>Current liabilities</i>			
Bank borrowings - current portion	20	53,987,170	66,243,607
Lease liabilities - current portion	21	21,295,117	12,526,976
Trade and other payables	22	40,942,950	36,443,458
<i>Total current liabilities</i>		116,225,237	115,214,041
<b>Total liabilities</b>		697,809,215	696,333,278
<b>Total equity and liabilities</b>		542,097,355	574,752,496

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

The report of the auditor is set out on pages 1 to 3.

The separate financial statements on pages 4 to 36 were approved on January 30, 2021 and signed on behalf of the Entity, by:



Chief Executive Officer



Chief Financial Officer

  
Managing Director  
(Raghavpat Singhania)  
Company Secretary  
Director

**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended December 31, 2020  
(In Arab Emirates Dirham)

	Notes	2020	2019
Revenue	23	139,178,687	152,399,289
Cost of revenue	24	(107,796,191)	(111,749,212)
<b>Gross profit</b>		<b>31,382,496</b>	<b>40,650,077</b>
Other income	25	989,935	478,155
Selling and distribution expenses	26	(39,672,407)	(42,404,303)
Administrative expenses	27	(9,539,895)	(10,598,039)
Directors' remuneration	11	(250,000)	(550,000)
Finance costs	28	(17,041,207)	(25,339,929)
<b>(Loss) for the year</b>		<b>(34,131,078)</b>	<b>(37,764,039)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(34,131,078)</b>	<b>(37,764,039)</b>

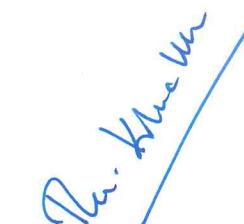
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The separate financial statements on pages 4 to 36 were approved on January 30, 2021 and signed on behalf of the Entity, by:

  
Chief Executive Officer

\_\_\_\_\_  
Company Secretary

  
\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Managing Director  
(Raghavpat Singhania)

\_\_\_\_\_  
Director





**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of changes in equity for the year ended December 31, 2020

(In Arab Emirates Dirham)

	<u>Share capital</u>	<u>Equity component of compulsory convertible preference shares</u>	<u>Accumulated (losses)</u>	<u>Total equity deficit</u>
Balance as at January 01, 2019	36,724,000	52,426,891	(172,967,634)	(83,816,743)
(Loss) for the year	-	-	(37,764,039)	(37,764,039)
Balance as at December 31, 2019	36,724,000	52,426,891	(210,731,673)	(121,580,782)
(Loss) for the year	-	-	(34,131,078)	(34,131,078)
<b>Balance as at December 31, 2020</b>	<b>36,724,000</b>	<b>52,426,891</b>	<b>(244,862,751)</b>	<b>(155,711,860)</b>

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

The report of the auditor is set out on pages 1 to 3.



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2020

(In Arab Emirates Dirham)

	2020	2019
<b>Cash flows from operating activities</b>		
(Loss) for the year	(34,131,078)	(37,764,039)
<i>Adjustments for:</i>		
(Gain) on disposal of property, plant and equipment	(81)	(1,269)
Depreciation on property, plant and equipment	24,008,722	24,245,652
Depreciation on right-of-use assets	6,080,850	6,045,594
Provision for employees' end of service benefits	828,511	926,925
Property, plant and equipment written off	334,807	-
Allowance for expected credit loss	88,573	297,370
Allowance for slow moving inventories	426,080	-
Finance costs	17,041,207	25,339,929
Amortisation of intangible asset	281,161	182,288
Reversal of director remuneration provision	(250,000)	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>14,708,752</b>	<b>19,272,450</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	2,995,566	(7,191,836)
Trade receivables	11,418,556	(1,573,858)
Due from related parties	(1,634,117)	1,203,379
Advances, deposits and other receivables	(1,859,586)	5,624,469
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	4,749,492	11,550,018
<b>Cash generated from operations</b>	<b>30,378,663</b>	<b>28,884,622</b>
Finance costs paid	(12,273,491)	(18,888,250)
Employees' end of services benefits paid	(191,424)	(67,093)
<b>Net cash from operating activities</b>	<b>17,913,748</b>	<b>9,929,279</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1,886,006)	(9,317,917)
Proceeds from disposal of property, plant and equipment	3,078	2,705
Loans to a related party	(238,713)	-
Investment in a subsidiary	-	(798,111)
<b>Net cash (used in) investing activities</b>	<b>(2,121,641)</b>	<b>(10,113,323)</b>



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of cash flows for the year ended December 31, 2020 (continued)

(In Arab Emirates Dirham)

	2020	2019
<b>Cash flows from financing activities</b>		
Redeemable preference shares and application money	46,945,138	43,078,315
(Repayment) of term loans - net	(40,561,291)	(37,222,795)
(Repayment) of other bank borrowings	(14,748,621)	(5,382,215)
(Repayment) of lease liabilities	(236,710)	(209,259)
<b>Net cash (used in)/from financing activities</b>	<b>(8,601,484)</b>	264,046
<b>Net increase in cash and cash equivalents</b>	<b>7,190,623</b>	80,002
Cash and cash equivalents, beginning of the year	686,266	606,264
<b>Cash and cash equivalents, end of the year</b>	<b>7,876,889</b>	686,266
<b>Cash and cash equivalents</b>		
Cash in hand	16,575	819
Cash at banks	7,860,314	685,447
	<b>7,876,889</b>	686,266

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

The report of the auditor is set out on pages 1 to 3.



Chief Executive Officer



Chief Financial Officer


Managing Director  
(Raghavpat Singhania)


Company Secretary



Director



## J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the separate financial statements for the year ended December 31, 2020

### 1 Legal status and business activities

- 1.1 M/s. J.K. Cement Works (Fujairah) FZC**, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on March 17, 2008 as a Free Zone Company and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority, Fujairah - United Arab Emirates.
- 1.2** The Entity is licensed to engage in manufacturing and trading (export & import) of all types of cement, limestone, pet coke, kaolin, feldspar, fluorspar, silica sand, gypsum and other allied products.
- 1.3** The registered address of the Entity is P.O. Box: 5325, Fujairah Free Zone, Fujairah - United Arab Emirates.
- 1.4** The Entity is a step down subsidiary of J.K. Cement Ltd. "*Ultimate Parent*", an Indian Company incorporated under the Companies Act 1956. The management and control of the Entity are vested with the Board of Directors and day to day affairs of the Entity are controlled and managed by Chief Executive Officer, Mr. Amit Kothari who is responsible to the Board.
- 1.5** These separate financial statements incorporate the operating results of the Commercial license no. 2249. These separate financial statements also incorporate the operating results of M/s. Whitemaxx Kenya (Branch) registration no. FC-KXTDB2.

### 2 Material uncertainty related to going concern

The separate financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has incurred loss for the year amounting to AED 34,131,078 during the year, accumulated (losses) of AED 244,862,751 and total liabilities exceeded total assets by AED 155,711,860 as at the reporting date. These conditions indicate that a material uncertainty exists that may cast a significant doubt on the Entity's ability to continue as a going concern.

However, these separate financial statements have been prepared on a going concern basis as the Ultimate Parent has agreed to provide necessary financial support to enable the Entity to continue its operation and settle its obligation as and when they fall due. Also, the management is in process of developing 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 separate financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Entity be unable to continue as a going concern.

### 3 New standards and amendments

#### 3.1 New standards and amendments applicable as on January 01, 2020

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 1, 2020.

- Definition of a Business - Amendments to IFRS 3
- Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39
- Definition of Material - Amendments to IAS 1 and IAS 8
- Conceptual Framework for Financial Reporting - Amendments

#### 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, 2020.

#### Description

#### Effective for annual periods beginning on or after

IFRS 17 - Insurance Contracts

January 1, 2023

Classification of Liabilities as Current or Non-Current - Amendments to IAS 1

January 1, 2023





**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the separate financial statements for the year ended December 31, 2020

**3 New standards and amendments (continued)**

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Reference to the Conceptual Framework - Amendments to IFRS 3	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	January 1, 2022
Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37	January 1, 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	January 1, 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	January 1, 2022
Taxation in fair value measurements - Amendments to IAS 41 Agriculture	January 1, 2022

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

**4 Significant accounting policies**

**4.1 Statement of compliance**

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). These separate financial statements are presented in United Arab Emirates Dirham (AED) which is the Entity's functional and presentation currency.

**4.2 Basis of preparation**

The separate 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 separate financial statements are set out below.

**4.3 Current/Non current classification**

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

All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Entity classifies all other liabilities as non-current.



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

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Notes to the separate financial statements for the year ended December 31, 2020

**4 Significant accounting policies (continued)**

**4.4 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

- Level 1 inputs are quoted price (unadjusted) in active market for identical asset or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

**4.5 Foreign currency**

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

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

**4.6 Property, plant and equipment**

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

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

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

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



**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the separate financial statements for the year ended December 31, 2020

**4 Significant accounting policies (continued)**

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

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

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

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

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

**4.7 Leases**

The Entity 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 Entity 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 Entity.
- the Entity 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 Entity has the right to direct the use of the identified asset throughout the period of use. The Entity assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

**4.7.1 Entity as lessee**

The Entity 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.

Right-of-use assets

The Entity 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 Entity 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 transfers to the Entity 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.



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**4 Significant accounting policies (continued)**

**4.7 Leases (continued)**

*4.7.1 Entity as lessee (continued)*

Lease liabilities

At the commencement date, the Entity 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 Entity is reasonably certain to exercise that option and payments of penalties for terminating the lease. The Entity 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 Entity 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 Entity 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 Entity recognises payments associated with these leases as an expense on a straight-line basis over the lease term.

**4.8 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.

**4.9 Impairment of tangible and intangible assets**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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



**4 Significant accounting policies (continued)**

**4.9 Impairment of tangible and intangible assets (continued)**

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

**4.10 Investment in subsidiary**

The investment in subsidiary is accounted for using cost model under IAS 27 "Separate Financial Statements".

**4.11 Financial instruments**

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

**4.12 Financial assets**

Classification

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

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

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

Measurement

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

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

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 Entity assesses on a forward-looking basis the expected credit losses associated with its receivables and adjusts the value to the expected collectible amounts.

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as 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.

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**4 Significant accounting policies (continued)**

**4.12 Financial assets (continued)**

*Debt instruments*

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

Impairment of financial assets

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

Derecognition of financial assets

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

**4.13 Financial liabilities**

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

Trade and other payables

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

Loans and other borrowings

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

Derecognition of financial liabilities

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

**4.14 Offsetting financial instruments**

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



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**4 Significant accounting policies (continued)**

**4.15 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.

**4.16 Provisions**

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

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

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.

**4.17 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

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

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

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. Revenue is recorded net of value added tax (VAT) and custom duty. A variable consideration 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.

**4.18 Critical accounting judgements and key sources of estimation uncertainty**

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

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**4 Significant accounting policies (continued)**

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

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

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

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

*Lease term - the Entity as lessee*

The Entity 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 Entity 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 Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.



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**4 Significant accounting policies (continued)**

**4.18 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 Entity uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Entity's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the relevant notes to the separate financial statements.

*Incremental borrowing rate for leases*

The Entity 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 Entity 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 Entity specific estimates.



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**5 Property, plant and equipment**

	<u>Building and improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures, office equipments and others</u>	<u>Capital work-in- progress</u>	<u>Total</u>
<b>Cost</b>						
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	-	204,028	8,168,399	9,317,917
Transferred during the year	-	7,025,277	-	-	(7,025,277)	-
Disposals during the year	-	(29,746)	-	-	-	(29,746)
As at December 31, 2019	109,770,290	415,243,356	3,945,780	2,496,841	4,717,500	536,173,767
Addition during the year	-	35,717	-	647,066	1,203,223	1,886,006
Transferred during the year	704,651	1,397,557	-	-	(2,102,208)	-
Transferred to intangible asset (note 6)	-	-	-	-	(2,877,080)	(2,877,080)
Written off during the year (note 27)	-	-	-	-	(334,807)	(334,807)
Disposals during the year	-	(5,574)	-	(5,485)	-	(11,059)
<b>As at December 31, 2020</b>	<b>110,474,941</b>	<b>416,671,056</b>	<b>3,945,780</b>	<b>3,138,422</b>	<b>606,628</b>	<b>534,836,827</b>
<b>Accumulated depreciation</b>						
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	280,464	-	24,245,652
Eliminated on disposals during the year	-	(28,310)	-	-	-	(28,310)
As at December 31, 2019	27,917,198	90,673,606	3,677,559	1,678,476	-	123,946,839
Charge for the year	5,125,291	18,475,052	48,671	359,708	-	24,008,722
Eliminated on disposals during the year	-	(5,295)	-	(2,767)	-	(8,062)
<b>As at December 31, 2020</b>	<b>33,042,489</b>	<b>109,143,363</b>	<b>3,726,230</b>	<b>2,035,417</b>	<b>-</b>	<b>147,947,499</b>
<b>Carrying value as at December 31, 2020</b>	<b>77,432,452</b>	<b>307,527,693</b>	<b>219,550</b>	<b>1,103,005</b>	<b>606,628</b>	<b>386,889,328</b>
Carrying value as at December 31, 2019	81,853,092	324,569,750	268,221	818,365	4,717,500	412,226,928

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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 20).
- Capital work-in-progress represents costs incurred for machinery under installation, pending capitalisation (note 33).
- Breakup of depreciation charged:

		<u>For the year ended December 31,</u>	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Cost of revenue	24	<b>23,513,381</b>	23,397,239
Selling and distribution expenses	26	<b>128,501</b>	45,701
Administrative expenses	27	<b>366,840</b>	802,712
		<b><u>24,008,722</u></b>	<b><u>24,245,652</u></b>





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<b>6 Intangible asset</b>	<b>2020</b>	<b>2019</b>
The carrying value of the intangible asset is as follows:		
<b>Cost</b>		
Balance at the beginning of year	<b>7,914,253</b>	7,914,253
Transferred from capital work-in-progress (note 5)	<b>2,877,080</b>	-
Balance at the end of year	<b>10,791,333</b>	7,914,253
<b>Accumulated amortisation</b>		
Balance at the beginning of year	<b>958,380</b>	776,092
Amortisation for the year (note 24)	<b>281,161</b>	182,288
Balance at the end of year	<b>1,239,541</b>	958,380
<b>Carrying value as at the end of the year</b>	<b>9,551,792</b>	6,955,873

This represents cost of securing the lease of mines. The lease has an extended period of 50 years from the date it is initially secured. The Entity is amortising lease acquisition cost over the extended lease period from the commencement of its commercial operations.

**7 Right-of-use assets**

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

<b>Cost</b>	<b>Land</b>	<b>Motor vehicles</b>	<b>Total</b>
Upon adoption of IFRS 16 as at Jan 01, 2019	94,923,529	600,230	95,523,759
Addition during the year	-	77,337	77,337
Disposal during the year	-	(173,127)	(173,127)
As at December 31, 2019	94,923,529	504,440	95,427,969
Addition during the year	-	173,126	173,126
<b>As at December 31, 2020</b>	<b>94,923,529</b>	<b>677,566</b>	<b>95,601,095</b>
<b>Accumulated depreciation</b>			
Upon adoption of IFRS 16 as at Jan 01, 2019	13,003,223	160,629	13,163,852
Charge for the year	5,847,994	197,600	6,045,594
Elimination against disposal during the year	-	(173,127)	(173,127)
As at December 31, 2019	18,851,217	185,102	19,036,319
Charge for the year	5,880,632	200,218	6,080,850
<b>As at December 31, 2020</b>	<b>24,731,849</b>	<b>385,320</b>	<b>25,117,169</b>
<b>Carrying value as at December 31, 2020</b>	<b>70,191,680</b>	<b>292,246</b>	<b>70,483,926</b>
Carrying value as at December 31, 2019	76,072,312	319,338	76,391,650

		<b>For the year ended December 31,</b>	
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
Cost of revenue	24	<b>5,893,520</b>	5,893,520
Selling and distribution expenses	26	<b>65,028</b>	39,249
Administrative expenses	27	<b>122,302</b>	112,825
		<b>6,080,850</b>	6,045,594



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

The Entity recognised following right-of-use assets.

- 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 Entity 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.

**8 Investment in a subsidiary****Percentage of ownership interest**

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
M/s. JK White Cement (Africa) Limited, Tanzania	<u>99.9%</u>	<u>99.9%</u>	<u>798,111</u>	<u>798,111</u>

The principal activity of the Entity is to trade in (export &amp; import) all types of cement and other allied products.

The investment in a subsidiary has been separately accounted at cost in the separate financial statements in accordance with IAS 27 ("Separate Financial Statements"). The Entity also prepares consolidated financial statements in accordance with IFRS 10.

**9 Inventories**

	<u>2020</u>	<u>2019</u>
Raw materials	7,824,777	10,794,901
Fuel	6,448,969	5,311,149
Packing materials	1,447,939	1,650,256
Finished goods	2,283,132	1,886,540
Semi finished goods and work-in-progress	7,685,490	10,558,157
Spare parts and consumables	9,939,729	9,658,125
Less: Allowance for slow moving inventories	(426,080)	-
	<u>35,203,956</u>	<u>39,859,128</u>
Goods-in-transit	3,302,044	2,068,518
	<u>38,506,000</u>	<u>41,927,646</u>

Inventories are hypothecated against credit facilities (note 20).

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

Charge for the year (note 27)	<u>426,080</u>	<u>-</u>
Balance at the end of the year	<u>426,080</u>	<u>-</u>

**10 Trade receivables**

Trade receivables	19,061,505	30,480,061
Less: Allowance for expected credit loss	(385,943)	(297,370)
	<u>18,675,562</u>	<u>30,182,691</u>

**Coverage:**

Secured against bank guarantee	7,585,197	14,098,798
Secured against letter of credit/bill of lading	2,983,914	9,791,975
Secured against credit insurance and others	6,563,448	6,589,288
Open credits	1,928,947	-
	<u>19,061,505</u>	<u>30,480,061</u>

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**10 Trade receivables (continued)**

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 (2019: 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 20).

In determining the recoverability of trade receivables, the Entity considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

	2020	2019
<i>Ageing of trade receivables:</i>		
1 - 90 days	14,020,484	23,684,034
91 - 120 days	2,822,176	3,039,220
121 days and above	2,218,845	3,756,807
	<u>19,061,505</u>	<u>30,480,061</u>

*Impairment of trade receivables:*

The Entity 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.

Expected credit loss rate	2.02%	0.98%
Estimated total gross carrying amount at default	19,061,505	30,480,061
Lifetime expected credit loss	385,943	297,370
Net carrying amount	18,675,562	30,182,691

*The movements in the allowance for expected credit loss as at reporting date are as follows:*

Balance at the beginning of the year	297,370	-
Charge during the year (note 27)	88,573	297,370
Balance at the end of the year	<u>385,943</u>	<u>297,370</u>

In determining the impairment loss on trade receivables, the Entity does not consider any changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The management has established a provision matrix that is based on its historic credit loss experience, adjusted for forward-looking information specific to the debtor and the overall economic environment.

*Geographical analysis:*

The geographical analysis of trade receivables are as follows:

Outside U.A.E.	11,246,800	17,197,476
Within U.A.E.	7,814,705	13,282,585
	<u>19,061,505</u>	<u>30,480,061</u>

**11 Related party transactions**

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



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**11 Related party transactions (continued)**

	2020	2019
<b>a) Due from related parties</b>		
<i>Ultimate parent</i>		
M/s. J.K. Cement Ltd, Kanpur - India	1,655,052	432,553
<i>Immediate parent</i>		
M/s. J.K. Cement (Fujairah) FZC, Fujairah - U.A.E.	6,711	195,557
<i>Subsidiary</i>		
M/s. JK White Cement (Africa) Limited, Tanzania	609,701	9,237
	<b>2,271,464</b>	<b>637,347</b>
<b>b) Loans to a related party</b>		
<i>Subsidiary</i>		
M/s. JK White Cement (Africa) Limited, Tanzania*	789,588	550,875
<b>Comprising:</b>		
Non-current portion	651,869	550,875
Current portion	137,719	-
	<b>789,588</b>	<b>550,875</b>

\* The loans carry interest @7% per annum and is repayable over 3 to 4 years in equal quarterly installments commencing from December 31, 2021.

**c) Transactions with related parties**

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

	For the year ended December 31,	
	2020	2019
Revenue (note 23)	13,399,271	16,304,100
Commission income (note 25)	278,261	457,635
Interest income (note 25)	45,713	9,237
Interest on preference shares (note 28)	519,188	2,024,833
Business promotion and other expenses (note 26)	507,220	778,348
Reversal of director remuneration provision (note 25)	250,000	-
Directors' remuneration	250,000	550,000
<b>12 Advances, deposits and other receivables</b>	<b>2020</b>	<b>2019</b>
Prepayments	983,833	945,954
Advance for capital assets	191,471	526,184
Advance to suppliers	2,142,257	1,099,260
Staff loans and advances	589,273	605,905
Deposits	124,905	113,113
VAT receivable	2,222,956	1,104,693
	<b>6,254,695</b>	<b>4,395,109</b>

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<b>13 Cash and bank balances</b>	<b>2020</b>	<b>2019</b>
Cash in hand	<b>16,575</b>	819
Cash at banks	<b>7,860,314</b>	685,447
	<b>7,876,889</b>	686,266

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.

**14 Share capital**

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

<b>Names of shareholders</b>	<b>Domicile</b>	<b>Percentage</b>	<b>No. of shares</b>	<b>2020</b>	<b>2019</b>
M/s. J.K. Cement (Fujairah) FZC	U.A.E.	90	33,052	<b>33,052,000</b>	33,052,000
Fujairah Investment Establishment (Government of Fujairah)	U.A.E.	10	3,672	<b>3,672,000</b>	3,672,000
		100	36,724	<b>36,724,000</b>	36,724,000

**15 Compulsory convertible preference shares**

The Entity issued two classes of preference shares; compulsory convertible preference shares (CCPS) and redeemable preference shares (note 17). 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 separate financial statements accordingly. At the time of conversion, the Entity will issue 73,450 ordinary shares of AED 1,000 each against the equity component of compulsory convertible preference shares. As at the reporting date, the Entity has issued 73,450 compulsory convertible preference shares of AED 1,000 each.

	<b>2020</b>	<b>2019</b>
<b>a) Equity component of compulsory convertible preference shares</b>		
Balance at the end of the year	<b>52,426,891</b>	52,426,891
<b>b) Liability component of compulsory convertible preference shares</b>		
Balance at the beginning of the year	<b>12,273,943</b>	13,889,901
Amortization during the year	<b>(1,684,312)</b>	(1,615,958)
Balance at the end of the year	<b>10,589,631</b>	12,273,943
<b>16 Accumulated (losses)</b>		
Balance at the beginning of the year	<b>(210,731,673)</b>	(172,967,634)
(Loss) for the year	<b>(34,131,078)</b>	(37,764,039)
Balance at the end of the year	<b>(244,862,751)</b>	(210,731,673)
<b>17 Redeemable preference shares and application money</b>		
Redeemable preference shares	<b>272,504,000</b>	218,926,000
Redeemable preference shares application money	<b>10,040,492</b>	16,673,354
	<b>282,544,492</b>	235,599,354



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**17 Redeemable preference shares and application money (continued)**

In order to raise fund(s) for the repayments of the term loan and related interest, the Entity issued 272,504 (2019: 218,926) 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 Entity issued further 53,578 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. Entity has not accrued any dividend on above shares due to the non-availability of profits during the year.

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

Redeemable preference shares are subordinated against bank borrowings (note 20).

	2020	2019
<b>18 Employees' end of service benefits</b>		
Balance at the beginning of the year	3,182,725	2,322,893
Add: Charge for the year	828,511	926,925
Less: Paid during the year	(191,424)	(67,093)
Balance at the end of the year	<u>3,819,812</u>	<u>3,182,725</u>

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

**19 Dividend payable on preference shares**

Dividend payable on redeemable preference shares	17,314,225	17,314,225
Dividend payable on compulsory convertible preference shares	<u>15,388,314</u>	<u>13,184,815</u>
	<u>32,702,539</u>	<u>30,499,040</u>

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

**20 Bank borrowings****a) Due to banks**

Bank overdraft	-	953,997
Trust receipts	18,937,841	12,093,290
Bills discounted	2,153,510	8,848,685
Short term loan	-	13,944,000
	<u>21,091,351</u>	<u>35,839,972</u>

**b) Term loans**

Balance at the beginning of the year	244,895,126	282,117,921
Less: Repaid during the year *	<u>(40,561,291)</u>	<u>(37,222,795)</u>
Balance at the end of the year	<u>204,333,835</u>	<u>244,895,126</u>

\* Repayment amount is stated net of AED 221,071 (2019: AED 221,071) being amortization of refinancing charges.



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	2020	2019
<b>20 Bank borrowings (continued)</b>		
<b>b) Term loans (continued)</b>		
<b>Comprising:</b>		
Current portion	32,895,819	30,403,635
Non-current portion	171,438,016	214,491,491
	<b>204,333,835</b>	<b>244,895,126</b>

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)	21,091,351	35,839,972
Term loans	(refer b)	32,895,819	30,403,635
		<b>53,987,170</b>	<b>66,243,607</b>

**Bank borrowings - long term liabilities**

Term loans	(refer b)	171,438,016	214,491,491
<b>Total bank borrowings</b>	<b>(a + b)</b>	<b>225,425,186</b>	<b>280,735,098</b>

**Bank borrowings are secured by:**

- First pari passu charge over immovable and movable property, plant and equipment (note 5).
- Assignment of lease rights on factory and mining land.
- Assignment of insurance contracts.
- Corporate guarantees of M/s. J.K. Cement Ltd. - India and M/s. J.K. Cement (Fujairah) FZC - U.A.E.
- Hypothecation of inventories (note 9).
- Assignment of trade receivables (note 10).
- Assignment of financial guarantees.
- Subordination of redeemable preference shares (note 17).

**21 Lease liabilities**

Balance at the beginning of the year	97,599,660	93,304,736
Addition during the year	173,127	77,337
Add: Interest charged during the year (note 28)	4,248,528	4,426,846
Less: Payments during the year	(236,710)	(209,259)
Balance at the end of the year	<b>101,784,605</b>	<b>97,599,660</b>

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

**Comprising:**

Current portion	21,295,117	12,526,976
Non-current portion	80,489,488	85,072,684
	<b>101,784,605</b>	<b>97,599,660</b>



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**21 Lease liabilities (continued)**

<i>Maturity profile of lease payments - contractual undiscounted cash flows:</i>	<b>2020</b>	<b>2019</b>
Less than 1 year	<b>25,336,569</b>	16,768,841
1 to 5 years	<b>36,008,774</b>	35,384,594
More than 5 years	<b>70,129,932</b>	79,378,280
	<b>131,475,275</b>	131,531,715

**Amounts recognised in profit or loss:**

	<b>2020</b>	<b>2019</b>
Interest on lease liabilities (note 21)	<b>4,248,528</b>	4,426,846
Depreciation expense (note 7)	<b>6,080,850</b>	6,045,594

*Payments not included in the measurement of the lease liability:*

Expenses related to short term leases	<b>339,680</b>	282,617
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**Net impact for the year**

<b>10,669,058</b>	10,755,057
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*Amounts recognised in statement of cash flows:*

Total cash outflows for leases	<b>(576,390)</b>	(491,876)
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**22 Trade and other payables**

	<b>2020</b>	<b>2019</b>
Trade payables	<b>22,926,799</b>	19,081,465
Payable against capital assets	<b>584,659</b>	1,056,219
Advances from customers	<b>721,608</b>	1,066,787
Accrued expenses and provisions	<b>16,591,461</b>	15,213,639
VAT payable	<b>118,423</b>	25,348
	<b>40,942,950</b>	36,443,458

**For the year ended December 31,****23 Revenue**

	<b>2020</b>	<b>2019</b>
Cement	<b>95,133,213</b>	110,687,529
Clinker	<b>35,677,832</b>	41,397,401
Value added products	<b>8,367,642</b>	314,359
	<b>139,178,687</b>	152,399,289

*Geographical analysis:*

Sales : Outside U.A.E.	<b>108,469,131</b>	116,823,575
: Within U.A.E.	<b>30,709,556</b>	35,575,714
	<b>139,178,687</b>	152,399,289

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

The performance obligation is satisfied on delivery of clinker/cement/plaster 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.

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	For the year ended December 31,	
	2020	2019
<b>24 Cost of revenue</b>		
<b>Cost of goods sold</b>		
Materials consumed	45,138,009	53,402,452
Utilities	11,851,034	14,152,949
Salaries and benefits	13,974,074	14,694,276
Other direct expenses	4,668,937	4,978,620
Depreciation on right-to-use assets (note 7)	5,893,520	5,893,520
Depreciation on property, plant and equipment (note 5)	23,513,381	23,397,239
Amortisation of intangible asset (note 6)	281,161	182,288
<b>Manufacturing cost</b>	105,320,116	116,701,344
Semi finished goods and work-in-progress at the beginning of the year	10,558,157	6,469,113
Semi finished goods and work-in-progress at the end of the year (note 9)	(7,685,490)	(10,558,157)
<b>Cost of goods manufactured</b>	108,192,783	112,612,300
Finished goods at the beginning of the year	1,886,540	1,023,452
Finished goods at the end of the year (note 9)	(2,283,132)	(1,886,540)
	<u>107,796,191</u>	<u>111,749,212</u>
<b>25 Other income</b>		
Commission income (note 11)	278,261	457,635
Gain on disposal of property, plant and equipment	81	1,269
Interest income (note 11)	45,713	9,237
Reversal of director remuneration provision (note 11)	250,000	-
Miscellaneous receipts	415,880	10,014
	<u>989,935</u>	<u>478,155</u>
<b>26 Selling and distribution expenses</b>		
Salaries and benefits	6,170,178	7,118,730
Freight and handling expenses	26,838,478	27,597,923
Sales royalty	2,306,631	2,572,115
Business promotion and other expenses	4,163,591	5,030,585
Depreciation on right-of-use assets (note 7)	65,028	39,249
Depreciation on property, plant and equipment (note 5)	128,501	45,701
	<u>39,672,407</u>	<u>42,404,303</u>



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	For the year ended December 31,	
	2020	2019
<b>27 Administrative expenses</b>		
Salaries and related benefits	5,166,779	5,615,429
Rent	414,664	409,409
Travelling and conveyance	227,235	448,370
Legal and professional expenses	705,161	840,166
Insurance	643,888	630,816
Repairs and maintenance	167,530	154,605
Communication	248,689	303,695
Depreciation on right-of-use assets (note 7)	122,302	112,825
Depreciation on property, plant and equipment (note 5)	366,840	802,712
Allowance for slow moving inventories (note 9)	426,080	-
Allowance for expected credit loss (note 10)	88,573	297,370
Property, plant and equipment written off (note 5)	334,807	-
Miscellaneous	627,347	982,642
	<u>9,539,895</u>	<u>10,598,039</u>
<b>28 Finance costs</b>		
Interest on preference shares (note 11)	519,188	2,024,833
Interest on lease liabilities (note 21)	4,248,528	4,426,846
Bank interest and charges	12,273,491	18,888,250
	<u>17,041,207</u>	<u>25,339,929</u>

**29 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 separate 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,	
	2020	2019	2020	2019
<i>Financial assets</i>	<b>Carrying amount</b>		<b>Fair value</b>	
Trade receivables	18,675,562	30,182,691	18,675,562	30,182,691
Due from related parties	2,271,464	637,347	2,271,464	637,347
Loans to a related party	789,588	550,875	789,588	550,875
Deposits and other receivables	2,937,134	1,823,711	2,937,134	1,823,711
Cash and bank balances	7,876,889	686,266	7,876,889	686,266
	<u>32,550,637</u>	<u>33,880,890</u>	<u>32,550,637</u>	<u>33,880,890</u>



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**29 Financial instruments (continued)**

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

	As at December 31,		As at December 31,	
	2020	2019	2020	2019
	Carrying amount		Fair value	
<i>Financial liabilities</i>				
Liability component of compulsory convertible preference shares	10,589,631	12,273,943	10,589,631	12,273,943
Redeemable preference shares	282,544,492	235,599,354	282,544,492	235,599,354
Dividend payable on preference shares	32,702,539	30,499,040	32,702,539	30,499,040
Bank borrowings	225,425,186	280,735,098	225,425,186	280,735,098
Lease liabilities	101,784,605	97,599,660	101,784,605	97,599,660
Trade and other payables	40,221,342	35,376,671	40,221,342	35,376,671
	<b>693,267,795</b>	<b>692,083,766</b>	<b>693,267,795</b>	<b>692,083,766</b>

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, loans to a related party, 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 Entity based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at reporting date, the carrying amounts of such receivables, were not 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.

**30 Financial risk management objectives**

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

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



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

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

**a) Foreign currency risk management**

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

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

**b) Interest rate risk management**

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's loss for the year then ended would (decrease)/increase by AED 1,127,126 (2019: (decrease)/increase by AED 1,403,675).

**c) Liquidity risk management**

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

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

Liquidity and interest risk table:

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





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**30 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, 2020							
Financial assets							
Trade receivables	-	-	-	-	18,675,562	-	18,675,562
Due from related parties	-	-	-	-	2,271,464	-	2,271,464
Loans to a related party	-	137,719	651,869	-	-	-	789,588
Deposits and other receivables	-	-	-	-	2,937,134	-	2,937,134
Cash and bank balances	-	-	-	7,876,889	-	-	7,876,889
	-	137,719	651,869	7,876,889	23,884,160	-	32,550,637
Financial liabilities							
Liability component of CCPS	-	-	10,589,631	-	-	-	10,589,631
Redeemable preference shares	-	-	282,544,492	-	-	-	282,544,492
Dividend payable on preference shares	-	-	32,702,539	-	-	-	32,702,539
Bank borrowings	-	53,987,170	171,438,016	-	-	-	225,425,186
Lease liabilities	16,646,280	4,648,837	80,489,488	-	-	-	101,784,605
Trade and other payables	-	-	-	-	40,221,342	-	40,221,342
	16,646,280	58,636,007	577,764,166	-	40,221,342	-	693,267,795
As at December 31, 2019							
Financial assets							
Trade receivables	-	-	-	-	30,182,691	-	30,182,691
Due from related parties	-	-	-	-	637,347	-	637,347
Loans to a related party	-	-	550,875	-	-	-	550,875
Deposits and other receivables	-	-	-	-	1,823,711	-	1,823,711
Cash and bank balances	-	-	-	686,266	-	-	686,266
	-	-	550,875	686,266	32,643,749	-	33,880,890

Notes to the separate financial statements for the year ended December 31, 2020  
(In Arab Emirates Dirham)

### 30 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 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	8,254,395	4,272,581	85,072,684	-	-	-	97,599,660
Trade and other payables	-	-	-	-	35,376,671	-	35,376,671
	9,208,392	69,562,191	577,936,512	-	35,376,671	-	692,083,766

#### d) Credit risk management

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

Trade receivables consist of a number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are disclosed in notes 10 & 12 to the separate 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 separate financial statements, which is net of impairment losses, represents the Entity's maximum exposure to credit risks.

### 31 Capital risk management

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

### 32 Contingent liabilities

Letter of guarantees

As at December 31,	
2020	2019
<u>2,346,725</u>	<u>2,336,725</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 the Entity's separate financial statements as of the reporting date.

**J.K. Cement Works (Fujairah) FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the separate financial statements for the year ended December 31, 2020  
(In Arab Emirates Dirham)

**33 Commitments**

Commitment towards acquisition of property plant and equipment

As at December 31,	
2020	2019
<b>748,171</b>	<b>1,879,530</b>

**34 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 Entity's previously reported financial result or equity.

