

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

Independent auditors' report and financial statements
For the year ended December 31, 2017

J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

General information

Principal Office Address : P.O. Box: 5325
Fujairah Free Zone
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 Auditors : Horwath Mak
P.O. Box: 262794
Dubai - United Arab Emirates

The Banks : State Bank of India
Axis Bank Limited
Export Import Bank of India
Canara Bank
National Bank of Fujairah
IDBI
Bank of Baroda

DIRECTORS' REPORT

Dear Members,

Your Directors submit their Tenth Annual Report and Audited Statements of Account for the year ended 31st December, 2017.

Economic scenario:

UAE being one of most diverse economies in GCC was able to remained resilient on non-oil sector growth during the year, however economic performance was subdued during most of 2017 in overall due to comparatively high reliance over hydrocarbons. GCC continued to experience a regional economic slump mainly in KSA, resulted by low oil prices. Further, weaken export demand outside GCC as prevailed political and economic uncertainties at major global economies.

Company performance review:

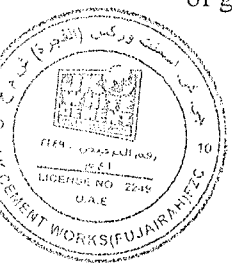
Sheer price challenge to secure market share and volumes in overall market was prevailed by competition. Continued substantial increase in global fuel prices (coal & pet-coke) has further affected the margins. Diplomatic rift vs State of Qatar which was a high realization market, has led to a trade embargo by ceasing any supplies. Distant export market segment has been negatively compressed by competitive pricing and foreign exchange optimization strategies by respective governments.

Key financial highlights for year 2017.

- Growth of 8.6% in total sales volume, clinker and cement in year 2017 Vs 2016.
- Gross margin of 23% for the year 2017 Vs. 21% in year 2016.
- Revenue of AED 143.7 Mn for the year 2017 Vs. AED 145.3 Mn in year 2016.
- Net loss after dividend on preference shares of AED 30.8 Mn for the year 2017 vs AED 29.6 Mn in the year 2016.
- Cash flow from operating activities: AED 8.2 Mn for the year 2017 vs AED 4.7 Mn in year 2016.

Irrespective of macro-economical challenges confronted, overall financial performance and outcome was sustained through vigilance over market behavior, lowered input materials and processing costs, use of alternative materials coupled with stringent cost control mechanism and prioritized spending. Enhancement of dimensions of product quality, customer service, talent acquisition and corporate governance practices were constant to be a key focus of Board of Directors along with rationalized strategic direction. Company's digital architecture was under persistent transformation with pace of global technological developments.

[1]



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



Outlook 2018:

UAE economy to resume tailwinds to grow along with rebounded oil prices, newly added revenue measures (VAT) and expected elevated spending in preparation for Expo 2020. Competition is expected to be resilient. GCC region as our core market, we believe need of continued robust product positioning and product development strategy to reshape and enhance our value proposition. Expanding our footprint in other markets and introduction of value added products is key important. The Board of Directors and the Management believes your company is well positioned to overcome the challenges during our persistent and cautious progress ahead, to assure delivery of constant revenue, profitability and operational efficiency. In view of the net loss position, the parent company shall continue to extend its financial support wherever necessary in the foreseeable future to ensure ability of entity as a going concern.

Directors:

Pursuant to Articles of Incorporation of the Company, Mr. Paul Heinz Hugentobler, Mr. A.G. Behroozian and Mr. Raghavpat Singhanian 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:

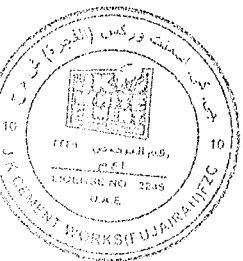
M/s. Horwath MAK International Consulting, Member Crowe Horwath International as Independent Auditors, were appointed in the 9th Ordinary General Assembly held on April 27, 2017 for conducting the audit for the year 2017. In the next Annual General Meeting, the shareholders will decide to appoint or re-appoint the auditors for 2018.

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 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.

[2]



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Declaration

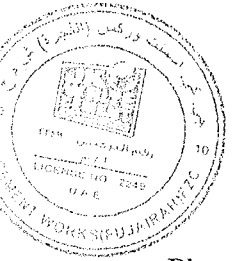
I declare that the audited financial statements for the year ended on 31st December, 2017 comply in all material respects with the requirements of Fujairah Free Zone Law and Articles of Incorporation of the Company and with the International Accounting Standards issued by the International Accounting Standards Committee. These financial statements state fairly and clearly in all material respects the true financial position of the Company as at 31st December, 2017 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

(RAGHAVPAT SINGHANIA)

DEPUTY MANAGING DIRECTOR



Place: Fujairah

Date: 27th Feb, 2018.

[3]



ISO 9001 : 2008 & ISO 14001 : 2004
Certified Company

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Independent auditors' report

To,

The Shareholders

M/s. J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of M/s. J.K. Cement Works (Fujairah) FZC, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") which comprise the statement of financial position as at December 31, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note - 2 to the financial statements. The Entity has accumulated (losses) of AED 121,988,464 and total liabilities exceeded total assets by AED 32,837,573 as at the reporting date. These conditions indicate that a material uncertainty exist 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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

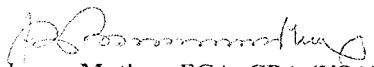
As required by the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992, we further confirm that,

- i) we have obtained all the information and explanations which we consider necessary for our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the above mentioned law and the Memorandum and Articles of Association of the Entity;
- iii) proper books of accounts have been maintained by the Entity;
- iv) the contents of the Directors' report which relates to the financial statements are in agreement with the Entity's books of account;

Report on other legal and regulatory requirements (continued)

- v) the Entity has not made any investments in share and stocks during the year ended December 31, 2017;
- vi) note 11 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted; and
- vii) 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 December 31, 2017, any of the applicable provisions of the above mentioned law or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at December 31, 2017.

For Horwath Mak


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



February 27, 2018

Statement of financial position as at December 31, 2017

(In Arab Emirates Dirhams)

	Notes	2017	2016	2015
Assets			(Restated)	(Restated)
<i>Non-current assets</i>				
Property, plant and equipment	6	450,446,233	473,845,129	485,374,713
Intangible asset	7	10,190,858	10,444,621	10,698,384
Other non-current assets	8	3,691,247	3,682,308	1,034,848
<i>Total non-current assets</i>		<u>464,328,338</u>	<u>487,972,058</u>	<u>497,107,945</u>
<i>Current assets</i>				
Inventories	9	33,434,163	33,943,725	35,537,800
Trade receivables	10	27,469,026	29,068,092	25,281,389
Due from a related party	11	77,086	31,786	31,786
Advances, deposits and other receivables	12	4,106,842	5,867,056	2,343,570
Cash and bank balances	13	2,321,937	4,298,527	2,311,765
<i>Total current assets</i>		<u>67,409,054</u>	<u>73,209,186</u>	<u>65,506,310</u>
Total assets		<u>531,737,392</u>	<u>561,181,244</u>	<u>562,614,255</u>
Equity and liabilities				
<i>Shareholders' equity</i>				
Share capital	14	36,724,000	36,724,000	36,724,000
Equity component of compulsory convertible preference shares	15	52,426,891	52,426,891	52,426,891
Accumulated (losses)	16	(121,988,464)	(91,104,860)	(61,420,589)
<i>Total shareholders' equity</i>		<u>(32,837,573)</u>	<u>(1,953,969)</u>	<u>27,730,302</u>
<i>Non-current liabilities</i>				
Liability component of compulsory convertible preference shares	15	15,440,278	16,927,735	18,354,825
Redeemable preference shares and application money	17	158,476,964	139,379,964	113,176,676
Employees' end of service benefits	18	2,285,290	1,863,817	1,129,170
Dividend payable on preference shares	19	20,319,119	13,864,569	7,936,707
Bank borrowings - non - current portion	20	289,766,508	317,580,821	323,914,499
<i>Total non-current liabilities</i>		<u>486,288,159</u>	<u>489,616,906</u>	<u>464,511,877</u>

(continued)

J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of financial position as at December 31, 2017 (continued)

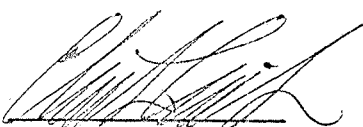
(In Arab Emirates Dirhams)

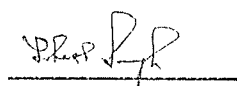
	Notes	2017	2016	2015
<i>Current liabilities</i>			<i>(Restated)</i>	<i>(Restated)</i>
Bank borrowings - current portion	20	47,380,954	46,734,456	52,699,649
Trade and other payables	21	30,905,852	26,783,851	17,672,427
<i>Total current liabilities</i>		<i>78,286,806</i>	<i>73,518,307</i>	<i>70,372,076</i>
Total liabilities		564,574,965	563,135,213	534,883,953
Total shareholders' equity and liabilities		531,737,392	561,181,244	562,614,255

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

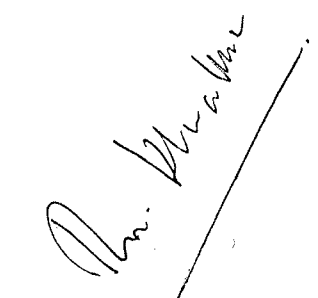
The report of the auditors is set out on pages 4 to 6.


The financial statements on pages 7 to 34 were approved on February 27, 2018 and signed on behalf of the Entity, by:

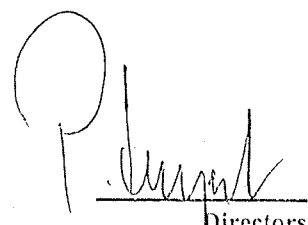

Chief Executive Officer


Company Secretary




Chief Financial Officer

Raghavpat Singhania

Deputy Managing Director


Directors



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, 2017
(In Arab Emirates Dirhams)

	Notes	2017	2016 (Restated)
Revenue	22	143,747,087	145,367,816
Cost of revenue	23	(109,789,200)	(114,492,067)
Gross profit		33,957,887	30,875,749
Other income	24	129,841	59,370
Selling and distribution expenses	25	(31,376,043)	(27,536,205)
Administrative expenses	26	(10,600,969)	(10,079,623)
Directors' remuneration	11	(600,000)	(600,000)
Finance costs	27	(22,394,320)	(22,403,562)
(Loss) for the year		(30,883,604)	(29,684,271)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(30,883,604)	(29,684,271)

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

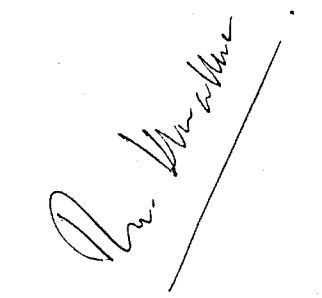
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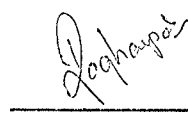
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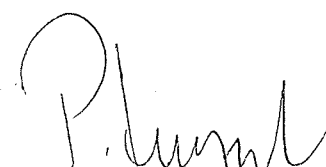

Chief Executive Officer


Company Secretary




Chief Financial Officer

Raghavpat Singhanian

Deputy Managing Director


Directors



J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Statement of changes in shareholders' equity for the year ended December 31, 2017

(In Arab Emirates Dirhams)

	Share capital	Compulsory convertible preference shares	Accumulated (losses)	Total shareholders' equity
Balance as at December 31, 2014 (<i>as previously stated</i>)	35,720,000	52,280,753	(59,718,058)	28,282,695
Additional share capital introduced during the year	1,004,000	-	-	1,004,000
Equity component of compulsory convertible preference shares issued during the year	-	146,138	-	146,138
Effect of prior year restatement (note 4)	-	-	(1,702,531)	(1,702,531)
Balance as at December 31, 2015 (<i>restated</i>)	36,724,000	52,426,891	(61,420,589)	27,730,302
(Loss) for the year (<i>restated</i>)	-	-	(29,684,271)	(29,684,271)
Balance as at December 31, 2016 (<i>restated</i>)	36,724,000	52,426,891	(91,104,860)	(1,953,969)
(Loss) for the year	-	-	(30,883,604)	(30,883,604)
Balance as at December 31, 2017	36,724,000	52,426,891	(121,988,464)	(32,837,573)

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

The report of the auditors is set out on pages 4 to 6.

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

Statement of cash flows for the year ended December 31, 2017
(In Arab Emirates Dirhams)

	2017	2016
Cash flows from operating activities		(Restated)
(Loss) for the year	(30,883,604)	(29,684,271)
Adjustments for:		
Loss on disposal of property, plant and equipment	356,464	7,921
Loss on write off property, plant and equipment	-	206,678
Depreciation on property, plant and equipment	25,155,215	23,684,173
Provision for employees' end of service benefits	742,849	769,194
Finance costs	22,394,320	22,403,562
Amortisation of intangible asset	253,763	253,763
Operating profit before changes in operating assets and liabilities	18,019,007	17,641,020
(Increase)/decrease in current assets		
Inventories	509,562	1,594,075
Trade receivables	1,599,066	(3,786,703)
Due from a related party	(45,300)	-
Advances, deposits and other receivables	1,760,214	(1,893,138)
Increase/(decrease) in current liabilities		
Trade and other payables	4,122,001	9,111,424
Cash generated from operations	25,964,550	22,666,678
Finance costs paid	(17,427,227)	(17,902,790)
Employees' end of services benefits paid	(321,376)	(34,547)
Net cash from operating activities	8,215,947	4,729,341
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,117,138)	(14,009,537)
Proceeds from disposal of property, plant and equipment	4,355	10,001
Other non-current assets	(8,939)	(2,647,460)
Net cash (used in) investing activities	(2,121,722)	(16,646,996)

(continued)

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

Statement of cash flows for the year ended December 31, 2017 (continued)
(In Arab Emirates Dirhams)

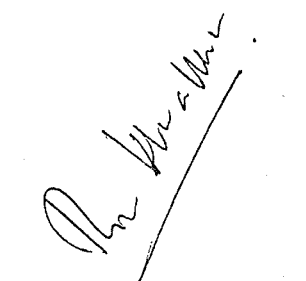
	2017	2016
Cash flows from financing activities		(Restated)
Redeemable preference shares and application money	19,097,000	26,203,288
(Repayment) of long term loans - net	(20,158,550)	(13,777,495)
(Repayment)/proceeds from banks - net	(7,009,265)	1,580,689
(Repayment) of vehicle loan	-	(102,065)
Net cash(used in)/from financing activities	(8,070,815)	13,904,417
Net (decrease)/increase in cash and cash equivalents	(1,976,590)	1,986,762
Cash and cash equivalents, beginning of the year	4,298,527	2,311,765
Cash and cash equivalents, end of the year	2,321,937	4,298,527
Represented by:		
Cash in hand	24,767	15,210
Cash at banks	2,297,170	4,283,317
	2,321,937	4,298,527


The accompanying notes form an integral part of these financial statements.
The report of the auditors is set out on pages 4 to 6.

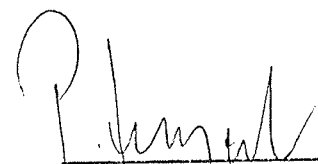

Chief Executive Officer

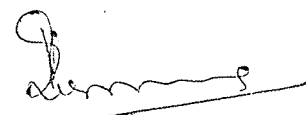

Company Secretary




Chief Financial Officer

Raghavpat Singhania

Deputy Managing Director


Directors



J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the financial statements for the year ended December 31, 2017

1 Legal status and business activities

- 1.1 M/s. J.K. Cement Works (Fujairah) FZC, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on March 17, 2008 as a Free Zone Company and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority, Government of Fujairah, Fujairah - United Arab Emirates.
- 1.2 The principal activities of the Entity consist of 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., 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. Christer Mikael Eriksson who is responsible to the Board.
- 1.5 These financial statements incorporate the operating results of the Commercial license no. 2249.

2 Material uncertainty related to going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Entity has accumulated (losses) of AED 121,988,464 and total liabilities exceeded total assets by AED 32,837,573 as at the reporting date.

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

3 New and amended standards

3.1 New and revised IFRSs applied with no material effect on the financial statements

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2017. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Annual Improvements to IFRSs 2014-2016 cycles: The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for summarized financial information.

The following amended standards and interpretations are not expected to have significant impact on the Entity's financial statements;

New and revised standards and amendments

Effective for annual periods
beginning on or after

Annual Improvements to IFRS Standards 2014-2016 Cycle on 8 December 2016,
amending the standards: IFRS 1- First-time Adoption of International Financial
Reporting Standards and IAS 28 Investments in Associates and Joint Ventures .

January 1, 2018

Notes to the financial statements for the year ended December 31, 2017

3 New and amended standards (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised standards and amendments

Effective for annual periods
beginning on or after

IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation clarifies the date of the transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency denominated contracts.

January 1, 2018

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2-Share-based Payment) contains the clarifications and amendments: The amendments pertain to accounting for cash-settled share-based payment transactions that include a performance condition; classification of share-based payment transactions with net settlement features; accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight.

January 1, 2018

IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

January 1, 2018

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9.

January 1, 2018

IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation (Amendments to IFRS 9) to address the concerns about how IFRS 9 classifies particular prepayable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019; early application is permitted.

January 1, 2019

Amended by Transfers of Investment Property (Amendments to IAS 40- Investment Property): An entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

July 1, 2018

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations when it becomes effective.

January 1, 2018

Notes to the financial statements for the year ended December 31, 2017

3 Summary of significant accounting policies (continued)

3.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

<u>New and revised standards and amendments</u>	<u>Effective for annual periods beginning on or after</u>
-------------------------------------------------	---------------------------------------------------------------

IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

January 1, 2019

IFRS 17 -Insurance Contracts was issued in May 2017 as a replacement of IFRS 4-Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.

January 1, 2021

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

4 Restatement of financial statements

In the previous years, the Entity had issued 3% cumulative compulsory convertible preference shares (CCPS). Until the year ended December 31, 2016, the management decided the said 3% dividend to be discretionary in nature and deferred it until the availability of profits. During the year, the management has decided to reinstate the original terms of CCPS agreement whereby, the coupon rate of 3% is non-discretionary and is payable in cash with an option to convert in ordinary shares at the time of conversion. Accordingly, previous year financial statements has been restated to reflect the change in accordance with the requirements of International Accounting Standard (IAS 8) "Accounting policies, changes in accounting estimates and errors" as follows:

	<u>Effect in 2016</u>
Increase in finance cost	(776,410)
Increase in dividend payable on compulsory convertible preference shares	2,203,500
Decrease in liability component of compulsory convertible preference shares	(1,427,090)
	<u>Effect in 2015</u>
Decrease in equity component of compulsory convertible preference shares	(21,023,109)
Increase in liability component of compulsory convertible preference shares	18,354,825
Increase in accumulated (losses)	(1,702,531)
Increase in dividend payable on compulsory convertible preference shares	4,370,815

5 Significant accounting policies

5.1 Statement of compliance

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

5 Significant accounting policies (continued)

5.2 Basis of preparation

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

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

5.3 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.

5.4 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.

5 Significant accounting policies (continued)

5.5 Foreign currency

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

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

5.6 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 and office equipments	3 - 5

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

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

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

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.

5.7 Intangible assets

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

5 Significant accounting policies (continued)

5.8 Impairment of tangible and intangible assets

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

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

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

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

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

5.9 Financial instruments

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

5.10 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement' (FVTIS), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and due from related a party" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

5 Significant accounting policies (continued)

5.10 Financial assets (continued)

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Advances, deposits and other receivables

Advances, deposits and other receivables are measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

Due from a related party

Amounts due from a related party is measured at amortised cost.

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.

Impairment of financial assets

Assets carried at amortised cost

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

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 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.

5 Significant accounting policies (continued)

5.11 Financial liabilities

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

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.

5.12 Offsetting financial instruments

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

5.13 Inventories

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

5.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.15 Provisions

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

Notes to the financial statements for the year ended December 31, 2017

5 Significant accounting policies (continued)

5.15 Provisions (continued)

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.

5.16 Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

5.17 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

An Entity as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

An Entity as lessee

Assets held under finance leases are initially recognised as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

5 Significant accounting policies (continued)

5.17 Leasing (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5.18 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.

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 judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In recognising the revenue, the management is of the view that in line with the requirement of IAS 18 *Revenue*, the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

Classification of properties

Management decides at the time of acquisition of a property whether it should be classified as held for sale, held for development or held for rental or capital appreciation. Management classifies properties as 'properties under construction' when the intention is to develop the properties for the purpose of selling to third parties. Management classifies properties as 'capital work-in-progress' and 'investment properties' when the intention is to hold those for rental, capital appreciation or for undetermined use. The management changes the classification when the intention changes.

Related parties

Management has disclosed the related parties and the related due from and to related parties as per the requirements of IAS 24, *Related Parties Disclosures*. In view of due from and to related parties being receivable and payable on demand and Management's intention to realise or pay the related parties as and when necessarily required, the disclosed balances are classified as current assets and current liabilities.

5 Significant accounting policies (continued)

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

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.

Allowance for doubtful debts

Allowances for doubtful debts are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet financial obligations.

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.

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.

Notes to the financial statements for the year ended December 31, 2017

(In Arab Emirates Dirhams)

6 Property, plant and equipment

The gross carrying amounts and accumulated depreciation are shown below:

	<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>
Cost						
As at December 31, 2015	100,179,905	321,040,816	1,549,490	1,066,028	87,744,750	511,580,989
Addition during the year	-	-	-	547,348	13,462,189	14,009,537
Transferred during the year	9,457,335	86,408,899	-	-	(95,866,234)	-
Disposals during the year	-	-	(50,355)	-	-	(50,355)
Write off of property, plant and equipment	-	(1,998,963)	-	-	-	(1,998,963)
As at December 31, 2016	109,637,240	405,450,752	1,499,135	1,613,376	5,340,705	523,541,208
Addition during the year	21,184	1,336,433	-	435,067	324,454	2,117,138
Transferred during the year	-	2,532,747	-	-	(2,532,747)	-
Disposals during the year	-	(362,118)	-	(19,137)	-	(381,255)
As at December 31, 2017	<u>109,658,424</u>	<u>408,957,814</u>	<u>1,499,135</u>	<u>2,029,306</u>	<u>3,132,412</u>	<u>525,277,091</u>
Accumulated depreciation						
As at December 31, 2015	6,397,886	18,526,442	768,053	513,895	-	26,206,276
Charge for the year	5,286,950	17,871,261	266,147	259,815	-	23,684,173
Eliminated on disposals during the year	-	-	(32,433)	-	-	(32,433)
Eliminated on assets written off	-	(161,937)	-	-	-	(161,937)
As at December 31, 2016	11,684,836	36,235,766	1,001,767	773,710	-	49,696,079
Charge for the year	5,437,310	19,222,225	216,732	278,948	-	25,155,215
Eliminated on disposals during the year	-	(2,916)	-	(17,520)	-	(20,436)
As at December 31, 2017	<u>17,122,146</u>	<u>55,455,075</u>	<u>1,218,499</u>	<u>1,035,138</u>	<u>-</u>	<u>74,830,858</u>
Carrying value as at December 31, 2017	<u>92,536,278</u>	<u>353,502,739</u>	<u>280,636</u>	<u>994,168</u>	<u>3,132,412</u>	<u>450,446,233</u>
Carrying value as at December 31, 2016	<u>97,952,404</u>	<u>369,214,986</u>	<u>497,368</u>	<u>839,666</u>	<u>5,340,705</u>	<u>473,845,129</u>

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 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 setting up of quarry on leased land and machinery under installation, pending capitalisation (note 32).
- Depreciation includes AED 24,127,764 (2016: AED 22,280,932) charged to cost of revenue (note 23).

J.K. Cement Works (Fujairah) FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

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	2017	2016
7 Intangible asset		
The carrying value of the intangible asset is as follows:		
Cost		
As at the end of the year	11,017,500	11,017,500
Accumulated amortisation		
As at the beginning of the year	572,879	319,116
Charge for the year (note 23)	253,763	253,763
As at the end of the year	826,642	572,879
Carrying value as at end of the year	10,190,858	10,444,621
This represents cost of securing the lease of factory land and mines on which the Entity's factory buildings, plant and facilities are erected. The lease has an extended period of 50 years from the date it is initially secured. The Entity is amortising lease acquisition cost over the extended lease period from the commencement of its commercial operations.		
8 Other non-current assets		
Advance for capital assets	3,691,247	3,682,308
The above represents advances paid for electrical installations.		
9 Inventories		
Raw materials	3,926,909	10,463,741
Fuel	2,061,552	10,395,367
Packing materials	1,454,673	1,736,272
Finished goods	2,260,550	1,383,820
Semi finished goods and work-in-progress	15,699,218	2,908,183
Spare parts and consumables	8,031,259	7,056,342
	33,434,163	33,943,725
Inventories were kept at the factory in Fujairah - United Arab Emirates and are hypothecated against credit facilities (note 20).		
10 Trade receivables		
Trade receivables	27,469,026	29,068,092
The average credit period for the trade receivables is 60/150 days (2016: 60/150 days).		
The above trade receivables are assigned against credit facilities (note 20).		
<u>Ageing of trade receivables:</u>		
Neither past due nor impaired	27,469,026	29,068,092

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	2017	2016
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10 Trade receivables (continued)

Geographical analysis:

The geographical analysis of trade receivables are as follows:

	9,625,615	9,625,615
Within U.A.E.	17,843,411	19,442,477
Outside U.A.E.	27,469,026	29,068,092

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.

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

	2017	2016
a) Due from a related party		
Shareholder		
M/s. J.K. Cement (Fujairah) FZC, Fujairah - U.A.E.	77,086	31,786

b) Transactions with a related party

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

	For the year ended December 31,	
	2017	2016
Interest on preference shares	4,967,093	4,500,772
Directors' remuneration	600,000	600,000

The Entity provides/receives funds to/from the parent as and when required to meet working capital requirements.

12 Advances, deposits and other receivables

	2017	2016
Prepayments	1,249,853	884,612
Advance to suppliers	329,793	2,348,721
Staff loans and advances	587,248	657,125
Deposits	309,600	346,250
Other receivables *	1,630,348	1,630,348
	4,106,842	5,867,056

* The above represents insurance claim receivable against loss due to breakdown of parts of plant and machinery.

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	2017	2016
13 Cash and bank balances		
Cash in hand	24,767	15,210
Cash at banks	2,297,170	4,283,317
	<u>2,321,937</u>	<u>4,298,527</u>

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:

Names of shareholders	Nationality	Percentage	No. of shares	2017	2016
M/s. J.K. Cement (Fujairah) FZC	U.A.E.	90	33,052	33,052,000	33,052,000
Government of Fujairah Establishment - Fujairah Investments	U.A.E.	10	3,672	3,672,000	3,672,000
		100	36,724	36,724,000	36,724,000

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 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.

	2017	2016
a) Equity component of compulsory convertible preference shares		
Balance at the beginning and end of the year	<u>52,426,891</u>	<u>52,426,891</u>
b) Liability component of compulsory convertible preference shares		(Restated)
Balance at the beginning of the year	16,927,735	18,354,825
Amortization during the year	<u>(1,487,457)</u>	<u>(1,427,090)</u>
Balance at the end of the year	<u>15,440,278</u>	<u>16,927,735</u>
16 Accumulated (losses)		(Restated)
Balance at the beginning of the year (restated)	(91,104,860)	(61,420,589)
(Loss) for the year	<u>(30,883,604)</u>	<u>(29,684,271)</u>
Balance at the end of the year	<u>(121,988,464)</u>	<u>(91,104,860)</u>
17 Redeemable preference shares and application money		
Redeemable preference shares	144,521,000	133,871,000
Redeemable preference shares application money	<u>13,955,964</u>	<u>5,508,964</u>
	<u>158,476,964</u>	<u>139,379,964</u>

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17 Redeemable preference shares and application money (continued)

In order to raise fund for the project and to meet working capital requirements, the Entity, since inception, issued 144,521 (2016:133,871) mandatorily redeemable preference shares of AED 1,000 each which are redeemable after 11 to 15 years and carry cumulative dividend @ 3% p.a. The redeemable preference shares do not carry right to vote and are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash to the holders. Also, the non-discretionary dividends are considered as finance cost in the statement of profit or loss and other comprehensive income.

	2017	2016
18 Employees' end of service benefits		
Balance at the beginning of the year	1,863,817	1,129,170
Add: Charge for the year	742,849	769,194
Less: Paid during the year	(321,376)	(34,547)
Balance at the end of the year	<u>2,285,290</u>	<u>1,863,817</u>

Amounts required to cover end of service benefits at the ending of the reporting period are computed pursuant to the United Arab Emirates Federal Labour Law based on the employees' accumulated period of service and current basic remuneration at that date.

19 Dividend payable on preference shares		(Restated)
Dividend payable on redeemable preference shares	11,541,304	7,290,254
Dividend payable on compulsory convertible preference shares	8,777,815	6,574,315
	<u>20,319,119</u>	<u>13,864,569</u>

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.

20 Bank borrowings

a) Due to banks

Bank overdraft	11,792,145	18,868,062
Trust receipts	2,882,800	5,266,148
Short term loan *	10,000,000	7,550,000
	<u>24,674,945</u>	<u>31,684,210</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 loans

Balance at the beginning of the year	332,631,067	346,408,562
Less: Refinancing charges paid	-	(2,087,586)
Less: Repaid during the year *	(20,158,550)	(11,689,909)
Balance at the end of the year	<u>312,472,517</u>	<u>332,631,067</u>

* Repayment during the year includes AED 5,108,304, being early repayment of liability which was due on January 01, 2018. Also, repayment amount is stated net of AED 221,074 (2016: AED 153,214) being amortization of refinancing charges.

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	2017	2016
20 Bank borrowings (continued)		
b) Term loans (continued)		
Comprising:		
Current portion	22,706,009	15,050,246
Non-current portion	289,766,508	317,580,821
	<u>312,472,517</u>	<u>332,631,067</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)	24,674,945	31,684,210
Term loans (refer b)	22,706,009	15,050,246
	<u>47,380,954</u>	<u>46,734,456</u>

Bank borrowings - long term liabilities

Term loans (refer b)	289,766,508	317,580,821
Total bank borrowings	<u>337,147,462</u>	<u>364,315,277</u>

Bank borrowings are secured by:

- i) First pari passu charge over immovable and movable fixed assets (note 6).
- ii) Assignment of lease rights for factory and mining land.
- iii) Assignment of insurance contracts.
- 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 9).
- vi) Assignment of trade receivables (note 10).
- vii) Subordination of shareholders' loan/redeemable preference shares (note 17).

21 Trade and other payables	2017	2016
Trade payables	7,095,970	11,787,982
Payable against capital assets	1,238,484	3,558,862
Advances from customers	458,786	250,170
Accrued expenses and provisions	19,428,167	8,743,049
Other payables	2,684,445	2,443,788
	<u>30,905,852</u>	<u>26,783,851</u>

For the year ended December 31,

	2017	2016
22 Revenue		
Sales: Outside U.A.E.	109,493,960	108,514,804
: Within U.A.E.	34,253,127	36,853,012
	<u>143,747,087</u>	<u>145,367,816</u>

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	For the year ended December 31,	
	2017	2016
23 Cost of revenue		
Cost of goods sold		
Materials consumed	54,961,148	40,330,407
Utilities	17,068,095	17,243,065
Salaries and benefits	13,297,350	13,070,190
Other direct expenses	13,748,845	7,759,225
Depreciation on property, plant and equipment (note 6)	24,127,764	22,280,932
Amortization of intangible asset (note 7)	253,763	253,763
Manufacturing cost	123,456,965	100,937,582
Semi finished goods and work-in-progress at the beginning of the year	2,908,183	15,632,889
Semi finished goods and work-in-progress at the end of the year (note 9)	(15,699,218)	(2,908,183)
Cost of goods manufactured	110,665,930	113,662,288
Finished goods at the beginning of the year	1,383,820	2,213,599
Finished goods at the end of the year (note 9)	(2,260,550)	(1,383,820)
	<u>109,789,200</u>	<u>114,492,067</u>
24 Other income		
Other income	<u>129,841</u>	<u>59,370</u>
25 Selling and distribution expenses		
Salaries and benefits	7,111,606	7,823,160
Freight and handling expenses	18,968,193	15,322,270
Sales royalty	2,412,612	569,159
Business promotion and other expenses	2,864,763	3,811,026
Depreciation on property, plant and equipment (note 6)	18,869	10,590
	<u>31,376,043</u>	<u>27,536,205</u>
26 Administrative expenses		
Salaries and related benefits	5,086,512	4,652,359
Rent	363,388	420,923
Travelling and conveyance	375,155	517,347
Legal and professional expenses	1,382,301	1,045,156
Insurance	664,312	634,028
Repairs and maintenance	157,614	183,701
Communication	344,731	364,845
Depreciation on property, plant and equipment (note 6)	1,008,582	1,392,651
Loss on disposal of property, plant and equipment	356,464	7,921
Loss on write off property, plant and equipment	-	206,678
Miscellaneous	861,910	654,014
	<u>10,600,969</u>	<u>10,979,623</u>

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		For the year ended December 31,	
		2017	2016
27	Finance costs		(Restated)
	Interest on preference shares	4,967,093	4,500,772
	Bank interest and charges	17,427,227	17,902,790
		<u>22,394,320</u>	<u>22,403,562</u>

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, financial liability are disclosed in note 5 to the 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,	
	2017	2016	2017	2016
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	27,469,026	29,068,092	27,469,026	29,068,092
Due from a related party	77,086	31,786	77,086	31,786
Other receivables	2,527,196	2,633,723	2,527,196	2,633,723
Cash and bank balances	2,321,937	4,298,527	2,321,937	4,298,527
	<u>32,395,245</u>	<u>36,032,128</u>	<u>32,395,245</u>	<u>36,032,128</u>
<i>Financial liabilities</i>				
Liability component of compulsory convertible preference shares	15,440,278	16,927,735	15,440,278	16,927,735
Redeemable preference shares	158,476,964	139,379,964	158,476,964	139,379,964
Dividend payable on preference shares	20,319,119	13,864,569	20,319,119	13,864,569
Bank borrowings	337,147,462	364,315,277	337,147,462	364,315,277
Trade and other payables	30,447,066	26,533,681	30,447,066	26,533,681
	<u>561,830,889</u>	<u>561,021,226</u>	<u>561,830,889</u>	<u>561,021,226</u>

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 willing parties.

Financial assets consist of cash and bank balances, other receivables, due from a related party and trade receivables. Financial liabilities consist of trade and other payables, bank borrowings, interest payable and redeemable preference shares.

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

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

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

Receivables are evaluated by the Entity based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at December 31, 2017, 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.

29 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.

a) *Foreign currency risk management*

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

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

b) *Interest rate risk management*

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's profit for the year then ended would (decrease)/increase by AED 1,685,737 (2016: (decrease)/increase by AED 1,821,576).

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 tables:

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

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29 Financial risk management objectives (continued)

c) Liquidity risk management (continued)

Liquidity and interest risk tables (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, 2017							
Financial assets							
Trade receivables	-	-	-	-	27,469,026	-	27,469,026
Due from a related party	-	-	-	-	77,086	-	77,086
Other receivables	-	-	-	-	2,527,196	-	2,527,196
Cash and bank balances	-	-	-	2,321,937	-	-	2,321,937
	-	-	-	2,321,937	30,073,308	-	32,395,245
Financial liabilities							
Liability component of CCPS	-	-	15,440,278	-	-	-	15,440,278
Redeemable preference shares	-	-	158,476,964	-	-	-	158,476,964
Dividend payable on preference shares	-	-	20,319,119	-	-	-	20,319,119
Bank borrowings	11,792,145	35,588,809	289,766,508	-	-	-	337,147,462
Trade and other payables	-	-	-	-	30,447,066	-	30,447,066
	11,792,145	35,588,809	484,002,869	-	30,447,066	-	561,830,889
As at December 31, 2016							
Financial assets							
Trade receivables	-	-	-	-	29,068,092	-	29,068,092
Due from a related party	-	-	-	-	31,786	-	31,786
Other receivables	-	-	-	-	2,633,723	-	2,633,723
Cash and bank balances	-	-	-	4,298,527	-	-	4,298,527
	-	-	-	4,298,527	31,733,601	-	36,032,128
Financial liabilities							
Liability component of CCPS	-	-	16,927,735	-	-	-	16,927,735
Redeemable preference shares	-	-	139,379,964	-	-	-	139,379,964
Dividend payable on preference shares	-	-	13,864,569	-	-	-	13,864,569
Bank borrowings	18,868,062	27,866,394	317,580,821	-	-	-	364,315,277
Trade and other payables	-	-	-	-	26,533,681	-	26,533,681
	18,868,062	27,866,394	487,753,089	-	26,533,681	-	561,021,226

29 Financial risk management objectives (continued)

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 credit exposure is continuously monitored and regularly reviewed by the management and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

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 financial statements.

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

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

30 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.

The capital structure of the Entity consists of equity comprising issued capital, accumulated (losses) and compulsory convertible preference shares as disclosed in the financial statements.

31 Contingent liabilities

Letter of guarantees

Letters of credit

As at December 31,	
2017	2016
2,286,725	2,286,725
-	8,887,450

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

32 Commitments

Commitment towards acquisition of plant and machinery

The Entity obtained a land Plot no. 7, Block K, Habhab, Tawain - Fujairah - United Arab Emirates under operating lease from Fujairah Municipality, Fujairah - United Arab Emirates. The lease is for a period of 25 years, with an option to renew the lease after that date for further 25 years (note 6).

Non-cancelable operating lease commitments:

Not longer than 1 year

Longer than 1 year and not longer than 5 years

Longer than 5 years

As at December 31,	
2017	2016
8,376,421	8,376,421
33,505,684	33,505,684
92,140,631	100,517,052

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

33 Comparative amounts

Certain amounts for the prior year were reclassified/restated to conform to current year's presentation.