

**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**  
**Fujairah Free Zone**  
**Fujairah - United Arab Emirates**

**Auditor's Report and Consolidated Financial Statements**  
**For the year ended December 31, 2023**



**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Table of contents

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	<u>Pages</u>
Directors' Report	1 - 6
Independent Auditor's Report	7 - 9
Consolidated statement of financial position	10 & 11
Consolidated statement of profit or loss and other comprehensive income	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	14 & 15
Notes to the consolidated financial statements	16 - 45



### Message from the Board of Directors

Dear Shareholders,

Your Directors submit their Annual Report and Audited Statements of Accounts for the year ended 31<sup>st</sup> December 2023.

### Economic outlook and Financial performance of year 2023

The UAE construction market size was \$86.7 billion in 2022. Construction market is expected to achieve an CAGR of more than 3% during 2024-2027. In UAE, post-pandemic real estate development is being driven by residential constructions. The project types in this sector include single-family housing and multi-family housing. The sector's output will be supported by rising demand for residential buildings, coupled with investments in housing projects as part of the Sheikh Zayed Housing Program. The Dry Mix products Market is projected to be driven by the increase in the construction activities in the commercial and industrial construction sectors of the constituent countries.

Throughout the year, the Company has ensured its best efforts to serve markets along with protecting profit margins.

- Construction market revival and new projects pipeline has led to higher white cement and Dry-Mix sales. Highest ever clinker & cement volume in 2023 with 31% YoY growth (Act 2023 of 550,907 Mt vs 2022 of 420,298 Mt). Highest ever Drymix volume in 2023 with 113% YoY growth. (Act 2023 of 86,058 Mt vs 2022 of 40,403 Mt).
- Additional clinker shipments to export segment has pushed up the contribution margin in 2023.
- Management continuous to focus for reduction in fixed cost.
- Month on Month building strong project pipeline to increase sales of Dry mix products to achieve budgeted run rate.

As of year 2023 we were ahead of our budget targets in terms of volumes, revenue and EBITDA.

New business verticals of the Company; **East and South African operations & Dry mix pillar in UAE**, have started gaining momentum of steady sales volume rate from the latter part of the year, which are now well set for boosting-up consolidated performance of the Company in going ahead.

Ensured proper health and safety framework, physical and mental wellbeing of the Company's workforce during the period was addressed on high priority, the vaccination drive campaign among the employees was highly successful where total work earmarked vaccinated status.



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Financial highlights of year ended 2023 – Consolidated results:

- **Sales volume:** Highest ever clinker & cement volume in 2023 with 31% YoY growth (Act 2023 of 548,129 Mt vs 2022 of 420,298 Mt). The growth of the value-added products segment volume is commendable in 2023 (YE 2023 of 109,432 Mt, YE 2022 of 54,961 Mt) an increase of 99%.
- **Revenue** of AED 242.7 Mn for the year 2022 vs AED 187.2 Mn in year 2022, year on year increase of 30%.
- Increase in Gross margin of 25.5% for the year 2023 vs 19.2% in year 2022 mainly due to Sea Freight softening for all major destinations which also resulted in softening of imported raw materials and fuel prices as compared to Year 2022.
- **Net loss** of AED 14.8 Mn for the year 2023 compared to net loss of AED 35.5 Mn in year 2022. Reduction in net loss mainly due to increase in sales volume by 31% and also through increase of sales volume of value added products by 99%, resulted in low utilization of working capital facility.

The rolled-out robust strategic business initiatives plan by the management towards turn rounding the top line and profitability of the company; *downstream solution-based value-added products, new market expansion – East and South Africa, technical excellence and corporate reorganization.*

We have successfully added up white cement-based wall skimming value added product portfolio consist of plasters, tile adhesives and grouts, masonry mortar and wall putty products to UAE and Africa segment in recent past. East and South Africa business pillars have started steady volume run rates in year 2023 along with its local production footprint in Kenya & Tanzania. Corporate reorganization exercise is continuing by concluding step by step activities along with stakeholders involved. The outcome of these leads has started to contribute in volumes and revenue, more sizable contribution to bottom line margins is expected and evident in full force during years ahead.

### Outlook 2024 and Strategy ahead

The UAE construction market size was \$86.7 billion in 2022. Construction market is expected to achieve an CAGR of more than 3% during 2024-2027. In UAE, post-pandemic real estate development is being driven by residential constructions. The project types in this sector include single-family housing and multi-family housing. The sector's output will be supported by rising demand for residential buildings, coupled with investments in housing projects as part of the Sheikh Zayed Housing Program. The Dry Mix products Market is projected to be driven by the increase in the construction activities in the commercial and industrial construction sectors of the constituent countries.

Cement and Dry-mix market player's investments will be oriented towards acquiring new technologies, securing raw materials, efficient procurement/inventory, strengthening product portfolios, and leveraging capabilities to maintain growth during challenging times. The economic and social challenges are noted to be highly varying between different



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countries/markets and Cement and Dry-mix manufacturers and associated players are focused on country-specific strategies.

UAE new Federal law of permissible maximum weight of 65 MT for heavy vehicles from 1<sup>st</sup> Feb 2024. This will have significant cost impact on UAE and container road freight.

UAE shall continue to be one of the most attractive business environments for infrastructure in the world underpinned by robust opportunities across industry sectors, country's safe and advanced operating environment and private sector contribution in economic activities. The UAE government forecasts growth shall be boosting bilateral business relations, strategic partnerships, and regional expansions. The UAE cabinet approved the federal budget for 2022-2026 which emphasizes continuation of visionary leadership's commitment towards providing a safe, secure, business friendly environment. The Budget for 2022-2026 is the largest budget approved in the UAE's history and will be pivotal in helping UAE achieve its strategic goals and attain sustainable development. As a key element of 'Principles of the 50' economic blueprint, UAE leadership has announced launch of the 'Net Zero by 2050' initiative with an aim of reaching net-zero emissions by year 2050, which indicates expectations from business community to focus and play a vital role in clean future / clean energy while driving growth aspects. Strong market sentiment driven by increase in the number of international investors led to Dubai's real estate sector regaining its momentum. Industry outlook expects growth in transaction volumes to remain strong over the course of the years ahead, which sets much bullish expectations to construction materials segment.

Dry mix products vertical shall be contributing for incremental results in year 2024 and ahead in terms of capacity utilization and profitability to the bottom-line. As the fundamentals are already in place, we shall be aggressively focusing on volume penetration in market / place and channel development along with further cost efficiencies. Dimensions of product quality, customer service, talent acquisition and corporate governance practices shall continue to be synchronized. Company's digital architecture shall remain to be under persistent transformation to enable enhanced operational efficiencies towards achieving the planned milestones.

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

#### Directors

Pursuant to Articles of Incorporation of the Company and applicable provisions of the Federal Law His Highness Sheikh Mohammad Bin Hamad Al Sharqi and Dr. Ibrahim Sa'ad Md. Ahmed who are retiring by rotation in the ensuing Ordinary General Assembly and being eligible, offers themselves for reappointment. Your Board proposes to confirm/appoint them in the ensuing Ordinary General Assembly.

#### Independent Auditors

In the ensuing Ordinary General Assembly, M/s. UHY James, Chartered Accountants is proposed to be appointed as Independent Auditors for conducting audit for the year 2024 subject to approval by the shareholders.



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**Subsidiary company – M/s JK White Cement (Africa) Ltd**  
**Performance for the period of 12 months ended 31<sup>st</sup> December 2023**

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

JK White Cement (Africa) Ltd has started its commercial operations in 2019 subsequent to the business and tax licenses received.

During the year 2023 the Company was able create a healthier and growing volume run rate of wall putty in the market, followed by strong brand awareness among masons and in the construction industry. White cement volume movement was lower due to challenging freight condition and due to increase inflow of import from Turkey and Egypt which lead to pricing pressure. Month-on-month rolling volumes started to follow increasing trend, the Company is in further evaluation of enhancing its market serving capabilities and efficiencies to ensure much superior customer satisfaction.

During this year of operations 2023 the Company has able to reach sales volume of 23,374 Mt of wall putty vs 10,768 Mt in 2022, recorded Revenue of TZS 15,970 Mn (2022: TZS 11,063 Mn). For the year 2023 the Company's has ended up with a loss before taxation of TZS 981 Mn (2022: loss before taxation of TZS 1,131 Mn) and is planned to reach net profits in 2024 along with stronger market demand in pipeline. Achieved more stronger cash position as of the year end: Cash and cash equivalents at end of the year 2023 of TZS 1,583 Mn vs TZS 460 Mn in year 2022.

**Foreign Branch office – M/s WhiteMaxx Kenya**  
**Performance for the period of 12 months ended 31<sup>st</sup> December 2023**

Further during the year 2020 JK Cement Works (Fujairah) FZC has incorporated a foreign branch office in Kenya in the name of 'WhiteMaxx Kenya' and received its business license in aim of enhancing market presence and its sales volume of white cement and white cement-based value-added products which shall lead for incremental profitability of the Company. Post market opening in Kenya after COVID-19 pandemic, business operations were started and the business is now supplying wall putty to Kenya, near by markets of Kenya and Tanzania. A healthier demand generation was well noticed, and we reached net profit level of Kenya operations in current period itself, year 2023.

**Share capital**

The paid-up Equity share capital of the Company as of 31<sup>st</sup> December 2023 remained at AED 36,724,000 (2021: AED 36,724,000). During the period under report no Equity shares were issued to the Company's shareholders of JK Cement (Fujairah) FZC and M/s Fujairah Investment Establishment.

During the year, the Parent Company of the entity "JK Cement (Fujairah) FZC" that is the holder of the redeemable preference shares surrendered its right to 226,637 shares of value AED 1,000 each through board resolution and same was approved by Fujairah Free Zone. Further, the right



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to dividend payable of amount AED 17,314,225 was also surrendered. The decision to surrender the right was made in September 2023 whereas the approval of the decision was given in December 2023.

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

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

Details of Loans, Guarantees and Investments are given in the Financial Statements and it's Notes for the year 2023.

#### **Human resources and industrial relations**

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

#### **Related party transactions**

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

#### **Internal financial controls and its adequacy**

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

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

#### **Acknowledgements**

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

The Board of Directors wish to express sincere thankfulness and gratitude for our customers, shareholders, various government departments, our suppliers and bankers who trusted our company. And finally, our earnest appreciation to all our executive members, management staff and employees who have continued to discharge their duties and responsibilities with integrity, commitment and discipline, serving our company to be step ahead and overcome challenges.



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### Declaration

I declare that the audited financial statements for the year ended on 31<sup>st</sup> December 2023 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 31<sup>st</sup> December 2023 and the results of its operation and its cash flows for the year ended on that date.

In my opinion and to the best of my knowledge and belief there have been no violations of the provisions of Fujairah Free Zone Law and Articles of Incorporation of the Company. There were no material irregularities that affected the financial position of the Company and its results for the year of the accounts and there were no events subsequent to the date of the balance sheet that may have had material effect on the financial statements attached.

For and on behalf of the Board of Directors,

**Dr. Raghavpat Singhania**  
Managing Director

**Place:** Fujairah, UAE.  
**Date:** 16<sup>th</sup> January 2024.



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Ref: JM/AR/2024/240014

**Independent Auditor's Report**

To,

The Shareholders

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

Fujairah Free Zone

Fujairah - United Arab Emirates

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of **M/s. J.K. Cement Works (Fujairah) FZC** (the "Parent Entity") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), issued by International Ethics Standards Board for Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 - 3 to these consolidated financial statements which explains that the Group has incurred a loss of AED 15,007,113 (2022: AED 35,482,918) during the year, has accumulated (losses) of AED 335,994,571 (2022: AED 321,149,248) and total current liabilities exceeded total current assets by AED 30,817,620 (2022: AED 36,568,768) as at the reporting date. These conditions indicate the existence of a material uncertainty about Group's ability to continue as a going concern. Therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

## **Independent Auditor's Report to the Shareholders of J.K. Cement Works (Fujairah) FZC (continued)**

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)**

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

**Independent Auditor's Report to the Shareholders of J.K. Cement Works (Fujairah) FZC (continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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**

Further, 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 confirm that,

- 1 We have obtained all the information and explanations which we consider necessary for our audit.
- 2 The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 and the Memorandum and Articles of Association of the Parent Entity.
- 3 Proper books of accounts have been maintained by the Group.
- 4 Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended December 31, 2023, any of the applicable provisions of the Rules and Regulations framed pursuant to Emiri Decree No. 6 of 1987 issued in Fujairah in respect of the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992 or the Memorandum and Articles of Association of the Parent Entity, which would materially affect its activities or its consolidated financial position as at December 31, 2023.

**For UHY James Chartered Accountants**

  
**James Mathew FCA, CPA**

**Managing Partner**

**Reg. No. 548**

**January 16, 2024**

**Dubai - United Arab Emirates**



**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of financial position as at December 31, 2023

(In Arab Emirates Dirham)

	Notes	2023	2022
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	6	323,372,599	342,656,481
Intangible assets	7	8,676,911	8,968,538
Right-of-use assets	8	53,604,769	59,726,437
<i>Total non-current assets</i>		385,654,279	411,351,456
<i>Current assets</i>			
Inventories	9	52,043,471	59,876,286
Trade receivables	10	38,152,987	21,389,745
Due from related parties	11	275,465	312,347
Advances, deposits and other receivables	12	8,628,678	12,560,746
Cash and bank balances	13	3,161,914	1,698,838
<i>Total current assets</i>		102,262,515	95,837,962
<b>Total assets</b>		487,916,794	507,189,418
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	14	36,724,000	36,724,000
Capital contribution	17	243,951,225	-
Equity component of redeemable preference shares	17	60,437,357	-
Equity component of compulsory convertible preference shares	15	52,426,891	52,426,891
Accumulated (losses)	16	(335,994,571)	(321,149,248)
Translation reserve		189,679	7,689
<i>Total equity/(deficit)</i>		57,734,580	(231,990,668)
<i>Non-current liabilities</i>			
Liability component of compulsory convertible preference shares	15	5,097,034	7,004,254
Redeemable preference shares and application money	17	200,780,643	487,855,604
Employees' end of service benefits	18	4,137,595	3,692,120
Dividend payable on preference shares	19	21,998,815	37,109,539
Lease liabilities	21	65,087,992	71,111,839
<i>Total non-current liabilities</i>		297,102,079	606,773,356

(continued)



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

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of financial position as at December 31, 2023 (continued)

(In Arab Emirates Dirham)


	Notes	2023	2022
<b>Equity and liabilities (continued)</b>			
<i>Current liabilities</i>			
Bank borrowings	20	8,739,397	30,266,993
Lease liabilities	21	47,161,259	39,494,082
Advance from a related party	11	-	8,590,814
Trade and other payables	22	77,179,479	54,054,841
<i>Total current liabilities</i>		133,080,135	132,406,730
<b>Total liabilities</b>		430,182,214	739,180,086
<b>Total equity and liabilities</b>		487,916,794	507,189,418

The accompanying notes on pages 16 to 45 form an integral part of these consolidated financial statements.

The report of the auditor is set out on pages 7 to 9.


The consolidated financial statements on pages 10 to 45 were approved on January 16, 2024 and signed on behalf of the Group, by:

  
Head - International Operations

  
Managing Director  
(Mr. Raghavpat Singhania)

  
Company Secretary

  
Head - Finance and Controlling

  
Director

**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023  
(In Arab Emirates Dirham)


	Notes	2023	2022
Revenue	23	242,708,499	187,272,643
Cost of revenue	24	(180,863,883)	(151,396,427)
<b>Gross profit</b>		<b>61,844,616</b>	<b>35,876,216</b>
Other income	25	362,966	1,501,799
Selling and distribution expenses	26	(55,460,528)	(51,135,463)
Administrative expenses	27	(13,962,571)	(12,573,045)
Directors' remuneration	11	(250,000)	(250,000)
Finance costs	28	(6,884,442)	(8,630,922)
<b>(Loss) before tax</b>		<b>(14,349,959)</b>	<b>(35,211,415)</b>
Taxation		(657,154)	(271,503)
<b>(Loss) after tax for the year</b>		<b>(15,007,113)</b>	<b>(35,482,918)</b>
Other comprehensive income		-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		181,990	9,046
<b>Total comprehensive (loss) for the year</b>		<b>(14,825,123)</b>	<b>(35,473,872)</b>


The accompanying notes on pages 16 to 45 form an integral part of these consolidated financial statements.

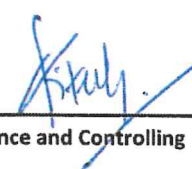
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Managing Director  
(Mr. Raghavpat Singhania)

  
Company Secretary

  
Head - Finance and Controlling

  
Director

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Fujairah Free Zone  
Fujairah - United Arab Emirates

Consolidated statement of changes in equity for the year ended December 31, 2023  
(In Arab Emirates Dirham)

	Share capital	Capital contribution	Equity component of redeemable preference shares	Equity component of compulsory convertible preference shares	Accumulated (losses)	Translation reserve	Total equity/ (deficit)
Balance as at January 01, 2022	36,724,000	-	-	52,426,891	(285,666,330)	(1,357)	(196,516,796)
(Loss) for the year	-	-	-	-	(35,482,918)	-	(35,482,918)
Exchange difference on translating foreign operation	-	-	-	-	-	9,046	9,046
Balance as at December 31, 2022	36,724,000	-	-	52,426,891	(321,149,248)	7,689	(231,990,668)
(Loss) for the year	-	-	-	-	(15,007,113)	-	(15,007,113)
Cancellation of redeemable preference shares	-	226,637,000	-	-	-	-	226,637,000
Cancellation of dividend payable	-	17,314,225	-	-	-	-	17,314,225
Equity component of redeemable preference shares	-	-	60,599,146	-	-	-	60,599,146
Transfer of finance cost on liability component of redeemable preference shares to capital contribution	-	-	(161,789)	-	161,789	-	-
Exchange difference on translating foreign operation	-	-	-	-	-	181,990	181,990
Balance as at December 31, 2023	36,724,000	243,951,225	60,437,357	52,426,891	(335,994,571)	189,679	57,734,580

The accompanying notes on pages 16 to 45 form an integral part of these consolidated financial statements.

The report of the auditor is set out on pages 7 to 9.

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of cash flows for the year ended December 31, 2023

(In Arab Emirates Dirham)

	2023	2022
<b>Cash flows from operating activities</b>		
(Loss) before tax	(14,349,959)	(35,211,415)
<i>Adjustments for:</i>		
(Gain)/loss on disposal of property, plant and equipment - net	-	(3,242)
Depreciation on property, plant and equipment	23,709,736	23,534,878
Depreciation on right-of-use assets	6,307,431	6,168,565
Provision for employees' end of service benefits	790,233	741,310
Property, plant and equipment written off	-	204,601
Allowance for expected credit loss	379,136	328,875
Allowance for slow moving inventories	104,831	158,461
Finance costs	6,884,442	8,630,922
Amortisation of intangible assets	291,627	294,510
Reversal of leave encashment provision	-	(407,893)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>24,117,478</b>	<b>4,439,572</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	7,750,229	(4,031,275)
Trade receivables	(17,142,378)	(3,629,057)
Due from related parties	36,882	86,134
Advances, deposits and other receivables	3,932,068	(3,123,356)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	22,534,334	2,375,839
Advance from a related party	(8,590,814)	5,948,314
<b>Cash generated from operations</b>	<b>32,637,799</b>	<b>2,066,171</b>
Finance costs paid	(940,711)	(873,043)
Employees' end of services benefits paid	(344,758)	(506,584)
Payment of tax	(97,216)	(69,428)
<b>Net cash from operating activities</b>	<b>31,255,114</b>	<b>617,116</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(4,435,665)	(1,829,305)
(Loss)/proceeds from disposal of property, plant and equipment	(2,403)	26,493
<b>Net cash (used in) investing activities</b>	<b>(4,438,068)</b>	<b>(1,802,812)</b>

(continued)



**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Consolidated statement of cash flows for the year ended December 31, 2023 (continued)

(In Arab Emirates Dirham)

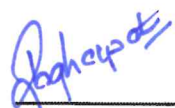
	2023	2022
<b>Cash flows from financing activities</b>		
Redeemable preference shares and application money	-	58,411,112
(Repayment) of term loans	-	(57,984,688)
(Repayment)/proceeds from other bank borrowings	(21,527,596)	5,112,131
(Repayment) of lease liabilities	(2,208,718)	(332,992)
Finance costs paid	(1,805,136)	(3,523,651)
<b>Net cash (used in)/from financing activities</b>	<b>(25,541,450)</b>	<b>1,681,912</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,275,596</b>	<b>496,216</b>
Net foreign exchange translation difference	187,480	9,138
Cash and cash equivalents, beginning of the year	1,698,838	1,193,484
<b>Cash and cash equivalents, end of the year (note 13)</b>	<b>3,161,914</b>	<b>1,698,838</b>

The accompanying notes on pages 16 to 45 form an integral part of these consolidated financial statements.

The report of the auditor is set out on pages 7 to 9.


The consolidated financial statements on pages 10 to 45 were approved on January 16, 2024 and signed on behalf of the Group, by:

  
\_\_\_\_\_  
Head - International Operations

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

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

  
\_\_\_\_\_  
Head - Finance and Controlling

  
\_\_\_\_\_  
Director

## J.K. Cement Works (Fujairah) FZC and its subsidiaries

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

### 1 Legal status and business activities

- 1.1 M/s. J.K. Cement Works (Fujairah) FZC**, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Parent Entity") was registered on March 17, 2008 as a Free Zone Company and operates in the United Arab Emirates under Commercial license no. 2249 issued by the Fujairah Free Zone Authority, Government of Fujairah, Fujairah - United Arab Emirates.
- 1.2** The Parent Entity is licensed to engage in manufacturing and trading (export & import) of all types of cement, limestone, pet coke, kaolin, feldspar, fluorspar, silica sand, gypsum and other allied products.
- 1.3** The registered address of the Parent Entity is P.O. Box: 5325, Fujairah Free Zone, Fujairah - United Arab Emirates.
- 1.4** The Parent Entity is a step down subsidiary of M/s. J.K. Cement Ltd. "*Ultimate parent*", an Indian Company incorporated under the Companies Act 1956. With effect from June 30, 2022, Mr. Amit Kothari stepped down from his position as Chief Executive Officer of the Parent Entity. Consequently, Mr. Ajay Mathur was appointed as Head (International Operations) in charge of overall operations of the Parent Entity with effect from July 01, 2022. Presently, the management and control of the Parent Entity are vested with the Board of Directors and day to day affairs of the Parent Entity are controlled and managed by Mr. Ajay Mathur, who is responsible to the Board, and Managing Director, Mr. Raghavpat Singhania.
- 1.5** These consolidated financial statements also incorporate the operating results of the subsidiaries (note 1.6). These consolidated financial statements also incorporate the operating results of M/s. Whitemaxx Kenya (Branch), Registration no. FC-KXTDB2.
- 1.6** The Parent Entity has the following subsidiary over which it exercises effective control:

	<u>Name of subsidiary and domicile</u>	<u>Percentage of shareholding</u>		<u>Percentage of beneficial holding</u>		<u>Date of incorporation</u>	<u>Principal activities</u>
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>		
i)	M/s. JK White Cement (Africa) Limited - Tanzania	99.9%	99.9%	100%	100%	November 04, 2018	It is engaged in the business of manufacturing/trading/ import/export of all types of cement, wall putty, other allied products, cement clinker, limestone, gypsum, coal and other allied products including value added products.
ii)	M/s. J.K White Cement Fujairah LLC - U.A.E. *	49%	49%	100%	100%	March 10, 2022	The principal activity of the Entity is white cement manufacturing, importing, exporting, wholesale of cement products trading, and cement products manufacturing.

\* Though the Parent Entity holds 49% equity interest, it has power to govern the investee entity as the power to appoint the board of directors have been vested with the Parent Entity.

### 2 Corporate Tax Law

On December 09, 2022, the U.A.E. Ministry of Finance (MoF) released Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the U.A.E. The new CT regime is effective for the accounting periods beginning on or after June 01, 2023. As the Group's year end is December 31, accordingly, the first tax year for the Group will begin from January 01, 2024. The new CT Law confirms the rate of 9% to be applied to taxable income exceeding AED 375,000.

**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**3 Material Uncertainty Related to Going Concern**

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Group has incurred a loss of AED 15,007,113 (2022: AED 35,482,918) during the year, has accumulated (losses) of AED 335,994,571 (2022: AED 321,149,248) and total current liabilities exceeded total current assets by AED 30,817,620 (2022: AED 36,568,768) as at the reporting date.

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

**4 New standards and amendments**

**4.1 New standards and amendments applicable as on January 01, 2023**

The following standards and amendments apply for the first time to the financial reporting periods commencing on or after January 01, 2023.

- IFRS 17 - *Insurance Contracts* (Including the June 2020 and December 2021 amendments)
  - Deferred Tax related to Assets and Liabilities arising from Single Transaction - Amendments to IAS 12, *Income Taxes*
- International Tax Reform (Pillar Two Model Rules) - Amendments to IAS 12, *Income Taxes*
- Disclosure of Accounting Policies - Amendments to IAS 1, *Presentation of Financial Statements and IFRS Practice Statement 2*
- Definition of Accounting Estimates - Amendments to IAS 8, *Accounting policies, Changes in Accounting Estimates and Errors*

The management believes that the adoption of the above amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the consolidated financial statements.

**4.2 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, 2023.

<u>Description</u>	<u>Effective for annual periods</u> <u>beginning on or after</u>
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	January 01, 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 01, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 <i>Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures</i>	January 01, 2024
IFRS 16 - <i>Leases</i> (Amendment - Liability in a Sale and Leaseback)	January 01, 2024
Classification of Liabilities as Current or Non-Current - Amendments to IAS 1, <i>Presentation of Financial Statements</i>	January 01, 2024



**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

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

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
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Non Current Liabilities with Covenants - Amendments to IAS 1, *Presentation of Financial Statements*

January 01, 2024

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

**5 Significant accounting policies**

**5.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and other applicable U.A.E. laws. These consolidated financial statements are presented in Arab Emirates Dirham (AED) which is the Group's functional and presentation currency.

**5.2 Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these consolidated financial statements are set out as follows

**5.3 Basis of consolidation**

The Group's financial statements consolidate those of the Parent Entity and all of its subsidiaries over which the Parent Entity exercises control. The Parent Entity controls an investee if all three of the following elements are present:

- power over the investee,
- exposure to variable returns from the investee, and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Parent Entity has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the Parent Entity's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

**5 Significant accounting policies (continued)**

**5.3 Basis of consolidation (continued)**

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed off during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

**Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

**5.4 Current/Non current classification**

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

An asset as current when it is expected to be realised or intended to be 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 Group classifies all other liabilities as non-current.

**5.5 Fair value measurement**

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

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

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

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

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**5 Significant accounting policies (continued)**

**5.5 Fair value measurement (continued)**

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

**5.6 Foreign currency**

In preparing the financial statements of the individual subsidiary, the transactions in currencies other than the subsidiary'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.

Consolidation

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Arab Emirates Dirham (AED) at exchange rates prevailing on the date of end of each reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are also translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences are recognised in consolidated statement of other comprehensive income and are presented in the translation reserve in equity. On disposal of overseas subsidiary or when significant influence is lost, the cumulative translation differences are recognised as income or expense in the period in which they are disposed off.

Foreign exchange differences

Exchange differences on monetary items are recognised in consolidated statement of profit or loss in the period in which they arise except for exchange differences that relate to assets under construction for future productive use. These are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings. Exchange differences on transactions entered into to hedge certain foreign currency risks and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognized initially in consolidated statement of other comprehensive income and reclassified from equity to the consolidated statement of profit or loss and other comprehensive income on disposal of net investment.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in consolidated statement of profit or loss and other comprehensive income.

**5.7 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.

**5 Significant accounting policies (continued)**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to consolidated statement of profit or loss and other comprehensive income 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 equipment and others	3 - 5

When part of an item of property, plant and equipment have different useful lives, they are accounted for separately.

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

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

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

Capital work-in-progress

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

**5.8 Leases**

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

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

**5 Significant accounting policies (continued)**

**5.8 Leases (continued)**

**5.8.1 Group as lessee**

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

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

**5.9 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)**

**5.10 Impairment of tangible and intangible assets**

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

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

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

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

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

**5.11 Taxation**

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in the consolidated statement of profit or loss and other comprehensive income for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised in the same or a different period, to other comprehensive income,
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

**5.12 Financial instruments**

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

**5.12.1 Financial assets**

Classification

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

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**5 Significant accounting policies (continued)**

**5.12 Financial instruments (continued)**

**5.12.1 Financial assets (continued)**

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

Measurement

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current account with banks.

Trade receivables

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

Trade 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 trade 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.

Due from related parties

Amounts due from related parties are stated at amortised cost.

Impairment of financial assets

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

Derecognition of financial assets

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

**5.12.2 Financial liabilities**

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**5 Significant accounting policies (continued)**

**5.12 Financial instruments (continued)**

**5.12.2 Financial liabilities (continued)**

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Advances from a related party

Advances from a related party are stated at amortised cost.

Loans and other borrowings

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

Derecognition of financial liabilities

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

**5.13 Offsetting financial instruments**

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

**5.14 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.

**5.15 Provisions**

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

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

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.

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**5 Significant accounting policies (continued)**

**5.16 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 Group expects to be entitled in exchange for those goods or services.

**Sale of goods or services**

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

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

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for consolidated 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.

**5.16.1 Performance obligations**

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.

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

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

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

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

**Critical judgements in applying accounting policies**

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

**5 Significant accounting policies (continued)**

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

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

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

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

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

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

*Lease term - the Group as lessee*

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

**Key sources of estimation uncertainty**

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

*Net realisable value of inventories*

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

*Useful lives of property, plant and equipment*

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

*Leasehold improvements*

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

*Impairment of financial assets*

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

**5 Significant accounting policies (continued)**

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

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

Incremental borrowing rate for leases

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

Discount rate for redeemable preference shares

The Parent Entity uses incremental borrowing rate as its effective interest rate to measure present value of redeemable preference shares along with the dividends thereon. Incremental borrowing rate represents the rate of interest that Parent 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 Parent Entity specific estimates.

Dividend accrual for redeemable preference shares

Distribution of dividend on redeemable preference shares is subject to the availability of profits. The Parent Entity has been a loss making entity and availability of profits in future is based on projected cash flows which are based on management estimates. The dividend is being accrued on the estimate that the Parent Entity will be making profits from the year 2026.

**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

**6 Property, plant and equipment**

Cost	Building and improvements	Plant and machinery	Motor vehicles	Furniture, fixtures, office equipment and others	Capital work-in-progress	Total
As at January 01, 2022	110,483,941	417,404,197	4,028,680	3,709,858	563,653	536,190,329
Addition during the year	3,500	122,059	109,476	605,058	989,212	1,829,305
Transferred during the year	89,988	502,118	-	-	(592,106)	-
Disposal during the year	-	(3,375)	(412,203)	(6,931)	(204,601)	(627,110)
Translation reserve	-	-	-	(553)	-	(553)
As at December 31, 2022	110,577,429	418,024,999	3,725,953	4,307,432	756,158	537,391,971
Addition during the year	-	52,959	558,590	1,516,603	2,307,513	4,435,665
Transferred during the year	-	2,985,289	-	-	(2,985,289)	-
Disposal during the year	-	-	-	(3,979)	-	(3,979)
Translation reserve	-	-	-	(14,960)	-	(14,960)
As at December 31, 2023	110,577,429	421,063,247	4,284,543	5,805,096	78,382	541,808,697
<b>Accumulated depreciation</b>						
As at January 01, 2022	38,109,847	127,270,630	3,758,450	2,461,215	-	171,600,142
Charge for the year	5,056,993	18,017,662	26,194	434,029	-	23,534,878
Eliminated on disposals during the year	-	(3,206)	(391,593)	(4,459)	-	(399,258)
Translation reserve	-	-	-	(271)	-	(271)
As at December 31, 2022	43,166,840	145,285,086	3,393,051	2,890,513	-	194,735,490
Charge for the year	5,058,719	18,085,955	57,859	507,203	-	23,709,736
Eliminated on disposals during the year	-	-	-	(2,403)	-	(2,403)
Translation reserve	-	-	-	(6,726)	-	(6,726)
As at December 31, 2023	48,225,559	163,371,041	3,450,910	3,388,587	-	218,436,098
<b>Carrying value as at December 31, 2023</b>	<b>62,351,870</b>	<b>257,692,206</b>	<b>833,633</b>	<b>2,416,509</b>	<b>78,382</b>	<b>323,372,599</b>
Carrying value as at December 31, 2022	67,410,589	272,739,913	332,902	1,416,919	756,158	342,656,481

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

Notes to the consolidated financial statements for the year ended December 31, 2023 (continued)  
(In Arab Emirates Dirham)

**6 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.
- Capital work-in-progress represents costs incurred for machinery under installation, pending capitalisation (note 34).
- Breakup of depreciation charged:

	<b>For the year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
	<u>Notes</u>	
Cost of revenue	24	22,950,764
		22,921,304
Selling and distribution expenses	26	441,096
		274,565
Administrative expenses	27	317,876
		339,009
		<u>23,709,736</u>
		<u>23,534,878</u>



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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

<b>7 Intangible assets</b>	<b>2023</b>	<b>2022</b>
The carrying value of the intangible assets are as follows:		
<b>Cost</b>		
Balance at the beginning and end of year	<b>10,805,112</b>	10,805,179
Translation reserve	<b>(1,303)</b>	(67)
Balance at the end of year	<b>10,803,809</b>	10,805,112
<b>Accumulated amortisation</b>		
Balance at the beginning of year	<b>1,836,574</b>	1,542,123
Amortisation during the year	<b>291,627</b>	294,510
Translation reserve	<b>(1,303)</b>	(59)
Balance at the end of year	<b>2,126,898</b>	1,836,574
<b>Carrying value as at the end of the year</b>	<b>8,676,911</b>	8,968,538

Notes:

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 Group is amortising lease acquisition cost over the extended lease period from the commencement of its commercial operations in 2014. Additional costs incurred for land development costs are being amortised over estimated life of 25 years.

- Breakup of amortisation charged:

		<b>For the year ended December 31,</b>	
	<b>Notes</b>	<b>2023</b>	<b>2022</b>
Cost of revenue	24	<b>291,627</b>	291,627
Administrative expenses	27	-	2,883
		<b>291,627</b>	294,510

**8 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>
As at January 01, 2022	95,123,336	341,169	95,464,505
Addition during the year	882,888	485,666	1,368,554
Elimination on completion of lease	-	(250,464)	(250,464)
As at December 31, 2022	96,006,224	576,371	96,582,595
Addition during the year	-	<b>252,071</b>	<b>252,071</b>
Translation reserve	-	<b>(83,478)</b>	<b>(83,478)</b>
<b>As at December 31, 2023</b>	<b>96,006,224</b>	<b>744,964</b>	<b>96,751,188</b>
<b>Accumulated depreciation</b>			
As at January 01, 2022	30,786,544	151,662	30,938,206
Charge for the year	5,913,898	254,667	6,168,565
Elimination on completion of lease	-	(250,464)	(250,464)
Translation reserve	-	(149)	(149)
As at December 31, 2022	36,700,442	155,716	36,856,158
Charge for the year	<b>6,032,059</b>	<b>275,372</b>	<b>6,307,431</b>
Translation reserve	-	<b>(17,170)</b>	<b>(17,170)</b>
<b>As at December 31, 2023</b>	<b>42,732,501</b>	<b>413,918</b>	<b>43,146,419</b>
<b>Carrying value as at December 31, 2023</b>	<b>53,273,723</b>	<b>331,046</b>	<b>53,604,769</b>
Carrying value as at December 31, 2022	59,305,782	420,655	59,726,437

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

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

- Breakup of depreciation charged:

		<b>For the year ended December 31,</b>	
	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cost of revenue	24	5,854,888	5,854,888
Selling and distribution expenses	26	90,618	92,652
Administrative expenses	27	361,924	221,025
		<u>6,307,430</u>	<u>6,168,565</u>

The Group 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 Group has considered an effective lease period of 16.5 years ending on December 31, 2032 for the purpose of recognition of right-of-use asset. The said asset is amortised over the effective period of lease on straight-line basis.
- Lease rights for motor vehicles are amortised over the effective period of lease.

	<u>2023</u>	<u>2022</u>
<b>9 Inventories</b>		
Raw materials	5,320,176	10,076,894
Fuel	10,859,706	13,407,583
Packing materials	3,328,349	3,591,325
Finished goods	1,852,024	5,753,859
Semi finished goods and work-in-progress	10,384,184	15,563,138
Spare parts and consumables	10,002,812	10,605,320
Less: Allowance for slow moving inventories	(1,213,866)	(1,109,035)
	<u>40,533,385</u>	<u>57,889,084</u>
Goods-in-transit	11,510,086	1,987,202
	<u>52,043,471</u>	<u>59,876,286</u>

Inventories are hypothecated against credit facilities (note 20).

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

Balance at the beginning of the year	1,109,035	950,574
Charge for the year (note 27)	104,831	158,461
Balance at the end of the year	<u>1,213,866</u>	<u>1,109,035</u>

**10 Trade receivables**

Trade receivables	39,246,941	22,104,563
Less: Allowance for expected credit loss	(1,093,954)	(714,818)
	<u>38,152,987</u>	<u>21,389,745</u>

*Coverage:*

Secured against bank guarantee	8,304,785	6,796,720
Secured against letter of credit/bill of lading	11,144,938	2,060,510
Secured against credit insurance and others	15,436,159	8,892,962
Open credits	4,361,059	4,354,371
	<u>39,246,941</u>	<u>22,104,563</u>

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

**10 Trade receivables (continued)**

The average credit period for the trade receivables is 60/120 days (2022: 60/120 days). Provisions are based on the estimated irrecoverable amounts determined by reference to past default experience.

The above trade receivables are assigned in favour of the bank on pari passu basis (note 20).

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

Ageing of trade receivables:

	2023	2022
1 - 90 days	30,458,070	15,090,814
91 - 120 days	6,360,292	2,233,576
121 days and above	2,428,579	4,780,173
	<u>39,246,941</u>	<u>22,104,563</u>

Impairment of trade receivables:

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

	2023	2022
Expected credit loss rate	6.88%	5.61%
Estimated total gross carrying amount at default	15,904,582	12,740,164
Lifetime expected credit loss	1,093,954	714,818
Net carrying amount	38,152,987	21,389,745

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

Balance at the beginning of the year	714,818	385,943
Charge during the year (note 27)	379,136	328,875
Balance at the end of the year	<u>1,093,954</u>	<u>714,818</u>

Geographical analysis:

The geographical analysis of trade receivables are as follows:

Outside U.A.E.	19,201,151	9,506,069
Within U.A.E.	20,045,790	12,598,494
	<u>39,246,941</u>	<u>22,104,563</u>

**11 Related party transactions**

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

	2023	2022
<b>11 Related party transactions (continued)</b>		
<b>a) Due from related parties</b>		
<i>Ultimate parent</i>		
M/s. J.K. Cement Ltd., Kanpur - India	157,227	223,464
<i>Immediate parent</i>		
M/s. J.K. Cement (Fujairah) FZC, Fujairah - U.A.E.	118,238	88,883
	<u>275,465</u>	<u>312,347</u>
<b>b) Advance from a related party</b>		
<i>Ultimate parent</i>		
M/s. J.K. Cement Ltd, Kanpur - India	-	8,590,814
<b>c) Transactions with related parties</b>		
The nature of significant related party transactions and the amounts involved were as follows:		
	<b>For the year ended December 31,</b>	
	2023	2022
Revenue	25,636,106	14,724,783
Commission income (note 25)	-	30,062
Interest on preference shares (note 28)	296,280	373,681
Interest on redeemable preference shares (note 28)	161,789	-
Directors' remuneration	250,000	250,000
<b>12 Advances, deposits and other receivables</b>		
Prepayments	1,089,534	949,099
Advance for capital assets	3,255	512,949
Advance to suppliers	1,685,305	2,634,146
Margin deposits	80,000	1,107,610
Staff loans and advances	562,222	503,816
Deposits	198,709	253,894
VAT receivable	5,009,653	6,599,232
	<u>8,628,678</u>	<u>12,560,746</u>
<b>13 Cash and bank balances</b>		
Cash in hand	9,567	29,807
Cash at banks	3,152,347	1,669,031
	<u>3,161,914</u>	<u>1,698,838</u>

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

**13 Cash and bank balances (continued)**

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**

Authorised ordinary share capital of the Parent Entity is AED 185,000,000 (2022: AED 185,000,000) divided into 185,000 (2022: 185,000) equity shares of AED 1,000 (2022: AED 1,000) each.

Issued and paid-up capital of the Parent Entity is AED 36,724,000 (2022: AED 36,724,000) divided into 36,724 (2022: 36,724) shares of AED 1,000 (2022: AED 1,000) each fully paid. The detail of the shareholding as at the reporting date are as follows:

<u>Names of shareholders</u>	<u>Domicile</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2023</u>	<u>2022</u>
M/s. J.K. Cement (Fujairah) FZC	U.A.E.	90	33,052	33,052,000	33,052,000
Fujairah Investment Establishment (Government of Fujairah)	U.A.E.	10	3,672	3,672,000	3,672,000
		100	36,724	36,724,000	36,724,000

**15 Compulsory convertible preference shares**

Authorised compulsory convertible preference share capital of the Parent Entity is AED 85,000,000 (2022: AED 85,000,000) divided into 85,000 (2022: 85,000) shares of AED 1,000 (2022: AED 1,000) each.

The Parent 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 components and have been classified in the consolidated financial statements accordingly. At the time of conversion, the Parent 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.

	<u>2023</u>	<u>2022</u>
<b>a) Equity component of compulsory convertible preference shares</b>		
Balance at the beginning and end of the year	52,426,891	52,426,891
<b>b) Liability component of compulsory convertible preference shares</b>		
Balance at the beginning of the year	7,004,254	8,834,072
Amortisation during the year	(1,907,220)	(1,829,818)
Balance at the end of the year	5,097,034	7,004,254
<b>16 Accumulated (losses)</b>		
Balance at the beginning of the year	(321,149,248)	(285,666,330)
(Loss) for the year	(15,007,112)	(35,482,918)
Transfer of finance cost to capital contribution	161,789	-
Balance at the end of the year	(335,994,571)	(321,149,248)

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

	2023	2022
<b>17 Redeemable preference shares and application money</b>		
Balance at the beginning of the year	487,855,604	453,242,000
Transferred to capital contribution	(226,637,604)	-
Transferred to equity component	(60,599,146)	-
Amortisation during the year	161,789	-
Additions during the year/application money	-	34,613,604
Balance at the end of the year	200,780,643	487,855,604
<b>a) Equity component of redeemable preference shares</b>		
Transferred from redeemable preference shares	60,599,146	-
Amortisation during the year	(161,789)	-
	60,437,357	-

Authorised redeemable preference share capital of Parent Entity is AED 520,000,000 (2022: AED 520,000,000), divided into 520,000 (2022: 520,000) shares of AED 1,000 (2022: AED 1,000) each.

In order to raise fund(s) for the repayments of the term loan and related interest, the Parent Entity issued 261,218 (2022: 487,855) mandatorily redeemable preference shares of AED 1,000 each which are redeemable in 11 to 14 years and carry dividend @ 3% p.a.

	2023	2022
<b>b) Capital contribution</b>		
Cancellation of redeemable preference shares	226,637,000	-
Cancellation of dividend payable	17,314,225	-
Balance at the end of the year	243,951,225	-

On December 26, 2023 the Parent Company of the entity "JK Cement (Fujairah) FZC" that is the holder of the redeemable preference shares surrendered its right to 226,637 shares of value AED 1,000 each through board resolution and same was certified by Fujairah Chamber of Commerce & Industry. Further, the right to dividend payable of amount AED 17,314,225 was also surrendered.

Furthermore, on the cancellation date the Company has remeasured the present value of the remaining redeemable preference shares using the market interest rate applicable to group and the difference between present value and the nominal value has been taken to the equity component of redeemable preference shares.

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. The Parent Entity has not accrued any dividend on above shares due to the non-availability of profits during the year.

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

<b>18 Employees' end of service benefits</b>	2023	2022
Balance at the beginning of the year	3,692,120	3,457,394
Add: Charge for the year	790,233	741,310
Less: Paid during the year	(344,758)	(506,584)
Balance at the end of the year	4,137,595	3,692,120

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



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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

<b>19 Dividend payable on preference shares</b>	<b>2023</b>	<b>2022</b>
Dividend payable on redeemable preference shares (note 17b)	-	17,314,225
Dividend payable on compulsory convertible preference shares	<b>21,998,815</b>	19,795,314
	<b>21,998,815</b>	<b>37,109,539</b>

The dividend payable 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.

<b>20 Bank borrowings</b>	<b>2023</b>	<b>2022</b>
<b>a) Due to banks</b>		
Bank overdraft	-	601,483
Trust receipts	<b>8,739,397</b>	16,653,883
Bills discounted	-	556,472
Short term loan	-	12,455,155
	<b>8,739,397</b>	<b>30,266,993</b>

**b) Term loans**

Balance at the beginning of the year	-	57,984,688
Less: Repaid during the year	-	(57,984,688)
Balance at the end of the year	-	-

During the year ended December 31, 2022, the Parent Entity fully closed out the term loan through early repayment. The early repayment was funded through the issue of additional redeemable preference shares to shareholders (note 17).

The term loans were secured against first pari passu charge over immovable and movable property, plant and equipment, assignment of lease rights on factory and mining land, and assignment of insurance contracts. The term loan was fully repaid in December 2022.

<b>Bank borrowings - short term liabilities</b>	<b>2023</b>	<b>2022</b>
Due to banks (refer a)	<b>8,739,397</b>	<b>30,266,993</b>

Bank borrowings are secured by:

- i) Assignment of credit insurance policy and stock insurance policy.
- ii) Corporate guarantees of M/s. J.K. Cement Ltd. - India and M/s. J.K. Cement (Fujairah) FZC - U.A.E.
- iii) Hypothecation of inventories (note 9).
- iv) Assignment of trade receivables (note 10).
- v) Assignment of financial guarantees.
- vi) Subordination of redeemable preference shares (note 17).

<b>21 Lease liabilities</b>	<b>2023</b>	<b>2022</b>
Balance at the beginning of the year	<b>110,605,921</b>	105,709,861
Addition during the year	<b>252,071</b>	1,368,554
Add: Interest charged during the year (note 28)	<b>3,680,526</b>	3,860,547
Less: Payments during the year	<b>(2,208,718)</b>	(332,992)
Translation	<b>(80,549)</b>	(49)
Balance at the end of the year	<b>112,249,251</b>	<b>110,605,921</b>

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

**21 Lease liabilities (continued)**

The above represents present value of lease payments of land and motor vehicles discounted at the rates ranging from 4.5% to 5% (2022: 4.5% to 7%) per annum.

	2023	2022
<b>Comprising:</b>		
Current portion	47,161,259	39,494,082
Non-current portion	65,087,992	71,111,839
	<b>112,249,251</b>	<b>110,605,921</b>

*Maturity profile of lease payments:***Undiscounted lease liabilities**

Within 1 year	50,378,399	42,942,617
2 to 5 year	48,219,473	37,596,038
Above 5 years	31,284,247	51,074,637
<b>Total</b>	<b>129,882,119</b>	<b>131,613,292</b>

Reconciliation of undiscounted lease liabilities stated in the consolidated statement of financial position is as follows:

Lease payments due	129,882,119	131,613,292
Less: Finance charges	(18,254,051)	(21,823,860)
Net present value	<b>111,628,068</b>	<b>109,789,432</b>

**For the year ended December 31,**

<b>Amounts recognised in the consolidated statement of profit or loss:</b>	<b>2023</b>	<b>2022</b>
Interest on lease liabilities (note 28)	3,680,526	3,860,547
Depreciation expense (note 8)	6,307,431	6,168,565
Expenses related to short term leases	-	1,202,823
<b>Net impact for the year</b>	<b>9,987,957</b>	<b>11,231,935</b>

*Amounts recognised in the consolidated statement of cash flows:*

Total cash outflows for leases	<b>(2,208,718)</b>	<b>(1,535,815)</b>
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On September 01, 2022, the Parent Entity submitted a proposal letter to the landlord for amendment of land lease agreement. The proposal is still under negotiation as on reporting date. This includes sales royalty payable of amount AED 18.10 million.

**22 Trade and other payables**

Trade payables	40,970,435	25,212,571
Payable against capital assets	548,760	146,243
Advances from customers	2,457,470	2,157,070
Accrued expenses and provisions (note 21)	33,170,309	26,264,413
Other payables	32,505	274,544
	<b>77,179,479</b>	<b>54,054,841</b>



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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

		For the year ended December 31,	
		2023	2022
<b>23 Revenue</b>		<b>242,708,499</b>	<b>187,272,643</b>
<b>23.1 Disaggregated revenue information</b>			
Set out below is the disaggregation of the Group's revenue from contracts with customers.			
<b>Segments</b>			
<b>Type of products</b>			
Cement		150,938,964	119,013,122
Clinker		52,120,659	43,587,023
Value added products		39,648,876	24,672,498
<b>Total revenue from contracts with customers</b>		<b>242,708,499</b>	<b>187,272,643</b>
<b>Geographical markets</b>			
Sales : Outside U.A.E.		173,668,066	151,395,694
: Within U.A.E.		69,040,433	35,876,949
<b>Total revenue from contracts with customers</b>		<b>242,708,499</b>	<b>187,272,643</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time		242,708,499	187,272,643
<b>Total revenue from contracts with customers</b>		<b>242,708,499</b>	<b>187,272,643</b>
<b>24 Cost of revenue</b>			
<b>Cost of goods sold</b>			
Materials consumed		64,065,419	54,025,470
Power and fuel costs		57,279,520	53,708,752
Salaries and benefits		15,601,469	15,517,431
Other direct expenses		5,739,407	6,297,162
Depreciation on property, plant and equipment (note 6)		22,950,764	22,921,304
Depreciation on right-to-use assets (note 8)		5,854,888	5,854,888
Amortisation of intangible assets (note 7)		291,627	291,627
<b>Manufacturing cost</b>		<b>171,783,094</b>	<b>158,616,634</b>
Semi finished goods and work-in-progress at the beginning of the year		15,563,138	10,149,150
Semi finished goods and work-in-progress at the end of the year (note 9)		(10,384,184)	(15,563,138)
<b>Cost of goods manufactured</b>		<b>176,962,048</b>	<b>153,202,646</b>
Finished goods at the beginning of the year		5,753,859	3,947,640
Finished goods at the end of the year (note 9)		(1,852,024)	(5,753,859)
		<b>180,863,883</b>	<b>151,396,427</b>
<b>25 Other income</b>			
Commission income (note 11)		-	30,062
Gain on disposal of property, plant and equipment		897	13,001
Foreign exchange gain		-	1,825
Reversal of leave encashment provision		-	407,893
Proceeds from sale of rotor and stator		-	353,935
Miscellaneous receipts		362,069	695,083
		<b>362,966</b>	<b>1,501,799</b>



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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

		For the year ended December 31,	
		2023	2022
<b>26</b>	<b>Selling and distribution expenses</b>		
	Salaries and benefits	5,404,092	6,385,875
	Freight and handling expenses	40,178,916	38,003,854
	Sales royalty	3,063,319	2,265,362
	Business promotion and other expenses	6,282,487	4,113,155
	Depreciation on property, plant and equipment (note 6)	441,096	274,565
	Depreciation on right-of-use assets (note 8)	90,618	92,652
		<u>55,460,528</u>	<u>51,135,463</u>
<b>27</b>	<b>Administrative expenses</b>		
	Salaries and related benefits	6,370,959	6,584,797
	Rent	491,678	564,226
	Travelling and conveyance	781,160	748,329
	Legal and professional expenses	1,803,772	1,346,083
	Insurance	617,022	682,952
	Repairs and maintenance	267,869	261,358
	Communication	380,782	320,051
	Property, plant and equipment written off	-	204,601
	Allowance for slow moving inventories (note 9)	104,831	158,461
	Allowance for expected credit loss (note 10)	379,136	328,875
	Depreciation on property, plant and equipment (note 6)	317,876	339,009
	Depreciation on right-of-use assets (note 8)	361,924	221,025
	Loss on disposal of property, plant and equipment	-	9,759
	Amortisation of intangible assets (note 7)	-	2,883
	Foreign exchange loss	1,023,623	197,735
	Miscellaneous	1,061,939	602,901
		<u>13,962,571</u>	<u>12,573,045</u>
<b>28</b>	<b>Finance costs</b>		
	Interest on preference shares (note 11)	296,280	373,681
	Interest on redeemable preference shares (note 11)	161,789	-
	Interest on lease liabilities (note 21)	3,680,526	3,860,547
	Bank interest and charges	2,745,847	4,396,694
		<u>6,884,442</u>	<u>8,630,922</u>
<b>29</b>	<b>Income tax expense</b>		
	Current tax expense	657,154	271,503
<b>30</b>	<b>Financial instruments</b>		

**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 5 to the consolidated financial statements.

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

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

	As at December 31,		As at December 31,	
	2023	2022	2023	2022
<i>Financial assets</i>	<b>Carrying amount</b>		<b>Fair value</b>	
Trade receivables	38,152,987	21,389,745	38,152,987	21,389,745
Due from related parties	275,465	312,347	275,465	312,347
Deposits and other receivables	278,709	1,361,504	278,709	1,361,504
Cash and bank balances	3,161,914	1,698,838	3,161,914	1,698,838
	<b>41,869,075</b>	<b>24,762,434</b>	<b>41,869,075</b>	<b>24,762,434</b>
<i>Financial liabilities</i>				
Liability component of compulsory convertible preference shares	5,097,034	7,004,254	5,097,034	7,004,254
Redeemable preference shares	200,780,643	487,855,604	200,780,643	487,855,604
Dividend payable on preference shares	21,998,815	37,109,539	21,998,815	37,109,539
Bank borrowings	8,739,397	30,266,993	8,739,397	30,266,993
Lease liabilities	112,249,251	110,605,921	112,249,251	110,605,921
Trade and other payables	74,722,009	51,897,771	74,722,009	51,897,771
	<b>423,587,149</b>	<b>724,740,082</b>	<b>423,587,149</b>	<b>724,740,082</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, deposits and other receivables and trade receivables. Financial liabilities consist of liability component of compulsory convertible preference shares, trade and other payables, bank borrowings, dividend payable on preference shares, redeemable preference shares and lease liabilities.

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

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

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

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

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

**31 Financial risk management objectives**

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

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

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

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

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

**a) Foreign currency risk management**

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

**b) Interest rate risk management**

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

Interest rate sensitivity analysis:

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

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Group's loss for the year then ended would (decrease)/increase by AED 43,697 (2022: (decrease)/increase by AED 151,335).

**c) Liquidity risk management**

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

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

Liquidity and interest risk table:

The table below summarises the maturity profile of the Group's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the 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 shown as follows:

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

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

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

	Interest bearing			Non Interest bearing			
	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	
Particulars							Total
As at December 31, 2023							
Financial assets							
Trade receivables	-	-	-	-	38,152,987	-	38,152,987
Due from related parties	-	-	-	-	275,465	-	275,465
Deposits and other receivables	-	-	-	-	278,709	-	278,709
Cash and bank balances	-	-	-	3,161,914	-	-	3,161,914
	-	-	-	3,161,914	38,707,161	-	41,869,075
Financial liabilities							
Liability component of CCPS	-	-	5,097,034	-	-	-	5,097,034
Redeemable preference shares	-	-	200,780,643	-	-	-	200,780,643
Dividend payable on preference shares	-	-	21,998,815	-	-	-	21,998,815
Bank borrowings	-	8,739,397	-	-	-	-	8,739,397
Lease liabilities	33,903,520	13,141,734	65,203,997	-	-	-	112,249,251
Trade and other payables	-	-	-	-	74,722,009	-	74,722,009
	33,903,520	21,881,131	293,080,489	-	74,722,009	-	423,587,149
As at December 31, 2022							
Financial assets							
Trade receivables	-	-	-	-	21,389,745	-	21,389,745
Due from related parties	-	-	-	-	312,347	-	312,347
Deposits and other receivables	-	-	-	-	1,361,504	-	1,361,504
Cash and bank balances	-	-	-	1,698,838	-	-	1,698,838
	-	-	-	1,698,838	23,063,596	-	24,762,434

**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

**31 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, 2022							
Financial liabilities							
Liability component of CCPS	-	-	7,004,254	-	-	-	7,004,254
Redeemable preference shares	-	-	487,855,604	-	-	-	487,855,604
Dividend payable on preference shares	-	-	37,109,539	-	-	-	37,109,539
Bank borrowings	601,483	29,665,510	-	-	-	-	30,266,993
Lease liabilities	25,151,840	14,342,242	71,111,839	-	-	-	110,605,921
Trade and other payables	-	-	-	-	51,897,771	-	51,897,771
	25,753,323	44,007,752	603,081,236	-	51,897,771	-	724,740,082

*d) Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Group applies simplified approach under IFRS 9 to measure lifetime expected credit loss allowance on all of its 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 consolidated financial statements.

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

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

**32 Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Group's overall strategy remains unchanged from prior year. The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of equity comprising issued capital, capital contribution, accumulated (losses), reserves, equity component of redeemable preference shares and equity component of compulsory convertible preference shares as disclosed in the consolidated financial statements.



**J.K. Cement Works (Fujairah) FZC and it's subsidiaries**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the consolidated financial statements for the year ended December 31, 2023

(In Arab Emirates Dirham)

	As at December 31,	
	2023	2022
<b>33 Contingent liabilities</b>		
Letter of guarantees	<b>2,518,242</b>	3,524,335

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

	As at December 31,	
	2023	2022
<b>34 Commitments</b>		
Commitment towards acquisition of property, plant and equipment (note 6)	<b>1,589,200</b>	1,434,670

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

**35 Reclassification**

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