

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated Financial Statements

31 March 2016

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated Financial Statements
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and regulations issued by the Jebel Ali Free Zone Authority 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY** as at 31 March 2016, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Emphasis of Matter

The consolidated financial statements are prepared for the period from 1 January 2016, considering the effective date of acquisition of the subsidiary.



Signed by: *

C. D. Shah

Partner

Registration No. 677

Shah & AlShamali Associates Chartered Accountants

12 April 2016

Dubai



ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated Statement of Financial Position
31 March 2016

	<i>Notes</i>	<i>2016 AED</i>
ASSETS		
Property, plant and equipment	5	2,878
Goodwill on consolidation	6	325,687
Development properties	7	25,717,505
Advances recoverable in cash or kind	8	10,370,000
Prepayment		11,505
Cash and cash equivalents	9	<u>11,408,255</u>
Total assets		<u>47,835,830</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	10	10,000
Accumulated losses		<u>(78,139)</u>
Total equity		<u>(68,139)</u>
LIABILITIES		
Term loans	11	39,720,000
Loan from parent shareholder company	12	360,000
Due to parent companies	13	7,508,017
Other payable and accruals	14	<u>315,952</u>
Total liabilities		<u>47,903,969</u>
Total equity and liabilities		<u>47,835,830</u>

The notes on pages 6 to 14 form an integral part of these consolidated financial statements.



DIRECTOR



ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2016

	<i>2016</i> <i>AED</i>
Revenue	<u>6,663</u>
Expenditure	
Management fees	(22,124)
Legal and professional fees	(12,688)
Other administrative expenses	(54,548)
Depreciation	(348)
Finance costs (net)	<u>(19,654)</u>
Total expenditure	<u>(109,362)</u>
Loss for the year	(102,699)
Other comprehensive income / (loss)	<u>-</u>
Total comprehensive loss for the year	<u>(102,699)</u>

The notes on pages 6 to 14 form an integral part of these consolidated financial statements.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated Statement of Changes in Equity
for the year ended 31 March 2016

	<i>Share capital</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
As at 31 March 2015	10,000	24,560	34,560
Loss for the year	-	(102,699)	(102,699)
As at 31 March 2016	<u>10,000</u>	<u>(78,139)</u>	<u>(69,139)</u>

The notes on pages 6 to 14 form an integral part of these consolidated financial statements.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Consolidated Statement of Cash Flows
for the year ended 31 March 2016

	<i>Note</i>	<i>2016 *</i> <i>AED</i>
<u>Cash flows from operating activities</u>		
Loss for the year		(102,699)
Adjustments for:		
Depreciation		348
Finance costs		<u>19,654</u>
Operating loss before working capital		(82,697)
Development properties		(23,447,505)
Advances recoverable in cash or kind		10,837,553
Prepayment		(11,505)
Other payable and accruals		<u>132,890</u>
Cash generated from/(used in) operations		(12,571,264)
Finance costs paid		<u>(19,654)</u>
Net cash from/(used in) operating activities		<u>(12,590,918)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment		(3,226)
Goodwill on consolidation		<u>(325,687)</u>
Net cash from/(used in) investing activities		<u>(328,913)</u>
<u>Cash flows from financing activities</u>		
Proceeds from term loans (net)		18,720,000
Increase/(decrease) in due to parent companies		<u>4,412,328</u>
Net cash from/(used in) financing activities		<u>23,132,328</u>
Net increase/ (decrease) in cash and cash equivalents		10,212,497
Cash and cash equivalents at the beginning of the year		<u>1,195,758</u>
Cash and cash equivalents at the end of the year	9	<u>11,408,255</u>

The notes on pages 6 to 14 form an integral part of these consolidated financial statements.

* The consolidated financial statements are prepared for the period from 1 January 2016, considering the effective date of acquisition of the subsidiary. Hence, comparative figures are not presented.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**Notes to the Consolidated Financial Statements
for the year ended 31 March 2016****1. Legal status and activity**

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY (the “company”) is a private limited liability international company incorporated under the Jebel Ali Free Zone Offshore Companies Regulations of 2003 with Zuari Infracore India Limited as its sole shareholder.

The registered address of the company is P.O. box 11429, Dubai, United Arab Emirates.

<i>Name of the company</i>	<i>Activity</i>
Zuari Infra Middle East Limited	Project management consultancy services to the subsidiary company.
SJM Elysium Properties L.L.C.	Development of real estate project

The company’s subsidiary is considered to be SJM Elysium Properties L.L.C, Dubai, United Arab Emirates.

2. Basis of preparation*Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the applicable requirements of U.A.E. laws.

Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

Functional and presentation currency

The consolidated financial statements have been presented in U.A.E. Dirhams (AED), being the functional and presentation currency of the group.

Basis of consolidation

The consolidated financial statements are prepared for the period from 1 January 2016, considering the effective date of acquisition of the subsidiary. The financial statements are prepared for less than 12 months to coincide with the financial year end of the parent company.

The consolidated financial statements of **ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY** incorporate the financial statements of the company and the entity controlled by the company (its subsidiary).

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**Notes to the Consolidated Financial Statements
for the year ended 31 March 2016***Basis of consolidation (cont'd)*

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company considers all relevant facts and circumstances in assessing whether or not the company has control over its subsidiary, including:

- determining operating policies
- making capital decisions
- appointing key management personnel
- rights to appoint key personnel
- decision making rights within a management contract
- removal or 'kick-out' rights

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about the several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 4.

Adoption of new and revised International Financial Reporting Standards (IFRS)

The group adopted all applicable accounting standards and amendments which are effective for annual periods beginning on or after 1 April 2015. The group has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**Notes to the Consolidated Financial Statements
for the year ended 31 March 2016****3. Summary of significant accounting policies**

The accounting policies that are considered material in relation to the consolidated financial statements are as follows:

Property, plant and equipment

Property, plant and equipment are stated at cost together with any related expenses of acquisition or less accumulated depreciation and impairment if any. Depreciation is charged using the straight-line method whereby the cost of an asset is depreciated over its estimated useful life of three years. Depreciation on additions during the year is charged on a proportionate basis for the period of use.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognized as an asset is reviewed for impairment at least annually.

Development properties

Properties in the course of construction for sale in the ordinary course of business are classified as development properties and are stated at lower of cost or net realizable value. Cost includes:

- Amounts paid to contractors for construction including the cost of construction of infrastructure: and
- Borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less cost to completion and the estimated costs of sale.

The management reviews the carrying values of the development properties on an annual basis.

Financial instruments

Financial assets and financial liabilities are recognized when, and only when, the group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Financial assets

The financial asset include cash and bank balance.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY**Notes to the Consolidated Financial Statements
for the year ended 31 March 2016****Financial instruments (cont'd)***Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and bank current accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

The financial liabilities include term loans, due to parent companies, loan from parent shareholder company, other payables and accruals.

Loans and borrowings

Loans and borrowings are initially recognized at fair value net of directly attributable transaction costs. Interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Other payables

Liabilities are recognized for amounts to be paid in the future for services received, whether invoiced or not.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognized consolidated in statement of profit or loss.

Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the group and revenue can be measured reliably.

Interest income

Revenue from interest income is recognized on a time-proportion basis using the effective interest method.

Foreign currency transactions

Transactions in foreign currencies are converted into UAE Dirhams at the rate of exchange ruling as on date of transaction. Assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the date of consolidated statement of financial position.

Resulting gain or loss is taken to the consolidated statement of profit or loss and other comprehensive income.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements
for the year ended 31 March 2016**4. Significant judgment employed in applying accounting policies and key sources of estimation and uncertainty****4.1 Significant judgment employed**

The significant judgment made in applying accounting policies that has the most significant effect on the amounts recognized in the consolidated financial statements pertains to impairment. At each reporting date, management conducts an assessment of all financial assets and development properties to determine whether there are any indications that they may be impaired.

In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss and other comprehensive income or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

4.2 Key sources of estimation and uncertainty

Key assumptions made concerning the future and other key sources of estimation and 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 as follows:

Impairment

Assessment of net recoverable amount of all financial assets and development properties, per above, are based on assumptions regarding future cash flows expected to be received from related assets.

5. Property, plant and equipment

*Office
equipment
AED*

Cost

Purchased during the year

3,226

As at 31.03.2016

3,226**Depreciation**

Charge for the year

348

As at 31.03.2016

348**Net book value**

As at 31.03.2016

2,878**6. Goodwill on consolidation**

This represents goodwill arising on consolidation of the subsidiary company.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements
for the year ended 31 March 2016

7. Development properties

Properties in the course of construction for sale in the ordinary course of business are classified as development properties and includes the costs of:

- Amounts paid to contractors for construction including the cost of construction of infrastructure: and
- Borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

This represents payments made / advances given to consultants, government agencies, and expenses for development of residential project in Dubai, U.A.E in joint venture with Green Tree Property Management Co. LLC, a group company of DAS Holdings, Abu Dhabi, U.A.E. The project is expected to start construction in the year 2016.

8. Advances recoverable in cash or kind

This represents payments made / advances given to consultants, government agencies, and expenses incurred on behalf of a subsidiary company for real estate development.

2016
AED

9. Cash and cash equivalents

Cash on hand	178,838
Bank balance in:	
Current accounts	<u>11,229,417</u>
	<u>11,408,255</u>

10. Share capital

Authorised, issued and paid up	
10,000 shares of AED 1 each	<u>10,000</u>

11. Term loans

This represents term loan taken from a local bank for proposed residential real estate development project being undertaken by the subsidiary company. The loan amount is availed for one year and rolled over annually for a maximum tenor of four years.

The term loan is secured against the following:

- ✓ *Lien marked in favour of State Bank of India, Mutual Funds fixed maturity plan in the name of Zuari Infracore India Limited, parent shareholder company.*
- ✓ *Land security issued by Zuari Global Limited*
- ✓ *Standby letters of credit for AED 44,500,000 issued by an overseas bank.*

In addition, there are various conditions and financial covenants attached to the bank facilities, which are in the normal course of business.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

**Notes to the Consolidated Financial Statements
for the year ended 31 March 2016**

12. Loan from parent shareholder company

This represents unsecured and 14% interest bearing deposit given by the parent shareholder company, Zuari Infraworld India Limited in Indian Rupees. This loan is stated at historical cost.

13. Due to parent companies

This represents unsecured and non-interest bearing funds received in Indian rupees from the parent companies without any fixed repayment schedule and stated at historical cost as under:

	<i>2016</i> <i>AED</i>
Zuari Infraworld India Limited	7,486,022
Zuari Global limited	<u>21,995</u>
	<u>7,508,017</u>

14. Other payable and accruals

Other payable	153,000
Accrual	7,500
Interest payable	<u>155,452</u>
	<u>315,952</u>

15. Related party transactions and balances

The group in the normal course of business enters into transactions with other business enterprises that fall within the definition of related party as contained in the International Accounting Standard - 24. Related parties comprise the parent companies and key management personnel as under:

- Zuari Global Limited – *Ultimate parent company*
- Zuari Infraworld India Limited, India – *Parent shareholder company*
- Vinay Varma - *Director*

The group receives interest and non-interest bearing funds from related parties to meet with its working capital requirements. At the date of consolidated statement of financial position, significant balances with related parties are disclosed in notes 12 and 13. The director has waived off his remuneration for 3 months period ended 31 March 2016.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements
for the year ended 31 March 2016

16. Financial instruments: Credit, liquidity and market risk exposures

Credit risk

Financial assets, which potentially expose the group to concentrations of credit risk comprise principally of bank balance in current accounts. The group's bank balance in current accounts are placed with high credit quality financial institutions. There are no significant concentrations of credit risk from accounts receivable outside the industry in which the group operates.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet financial obligations as they fall due. The group limits its liquidity risk by ensuring adequate funding requirements from the parent shareholder company are available to meet its commitments for liabilities as they fall due.

The following are the contractual maturities of the group's financial liabilities as at 31 March 2016:

	<i>Carrying amounts AED</i>	<i>Payables within 1 year AED</i>	<i>Payable within 1 – 5 years AED</i>
Term loan from a bank	39,720,000	39,720,000	-
Due to parent companies	7,508,017	7,508,017	-
Loan from parent shareholder company	360,000	60,000	300,000
Other payables and accruals	<u>315,952</u>	<u>315,952</u>	<u>-</u>
	<u>47,903,969</u>	<u>47,603,969</u>	<u>300,000</u>

Market risk

Market risk is a risk that changes in market prices, such as interest rate risk and currency risk, will affect the group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to interest rate risk for term loan taken from a bank. The group has not entered into interest rate swaps. Loan from the parent shareholder company is at fixed rate.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for the following, there are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirham or US Dollars to which the UAE Dirham rate is fixed.

ZUARI INFRA MIDDLE EAST LIMITED AND ITS SUBSIDIARY

Notes to the Consolidated Financial Statements
for the year ended 31 March 2016

Currency risk (cont'd)

2016
Equivalent
AED**Foreign currency financial liabilities****Loan from parent shareholder company**

INR

360,000

Due to parent companies

INR

7,508,017

17. Financial instruments: Fair values

The fair values of the group's financial assets, comprising cash and bank balance and financial liabilities comprising term loans, due to parent companies, loan from parent shareholder company, other payables and accruals are approximate to their carrying values.

18. Contingent liabilities

There were no contingent liabilities of a significant amount outstanding at the date of consolidated statement of financial position.

2016
AED**19. Capital commitments**

Contracted but not provided for

20,958,955**20. Comparative figures**

This being the first period of consolidation, there are no comparative figures.

21. Approval of the financial statements

The consolidated financial statements were approved by the directors and authorized for issue on 12 April 2016.