J.K. CEMENT (FUJAIRAH) FZC

FUJAIRAH

UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR

31ST DECEMBER, 2016

J.K. CEMENT (FUJAIRAH) FZC

FUJAIRAH

UNITED ARAB EMIRATES

31ST DECEMBER, 2016

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Certified Public Accountants محاسبون قانونيون
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Our Ref: 81/17

Independent Auditor's Report
To the Shareholders of
Messrs. J.K. Cement (Fujairah) FZC
P.O. Box 5325
Fujairah, United Arab Emirates

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of J.K. Cement (Fujairah) FZC (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs. and in compliance with the applicable provisions of the Company's Memorandum and Articles of Association and of the UAE Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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 Emiri Decree No. 1 for the year 1992, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;
(ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the above-mentioned law;
(iii) the company has maintained proper books of account;
(iv) note 5 to the financial statements reflects the disclosures on investments in shares and stocks during the year ended December 31, 2016
(v) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the company has contravened during the year ended 31st December, 2016 any of the applicable provisions of the above-mentioned law or of its Articles of Association or regulations of Fujairah Free Zone which would materially affect its activities or its financial position as at 31st December, 2016.

FULLER INTERNATIONAL
CERTIFIED PUBLIC ACCOUNTANTS

ISSUED IN DUBAI ON 30TH MARCH 2017

J.K. CEMENT (FUJAIRAH) FZC - FUJAIRAH - U.A.E.
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2016

Assets	Note	2016 AED	2015 AED (As restated)	2014 AED (As restated)
Current assets				
Prepayments		-	8,900	8,880
Related party - J.K. Cement works (Fujairah) FZC - Fujairah		-	-	12,114
Cash and cash equivalents		45,857	83,313	90,248
Total		45,857	92,213	111,242
Non-current assets				
Investment and application money	5	238,536,964	212,333,676	170,099,928
Dividend receivable	5	7,290,254	3,565.892	1,700,263
		245,827,218	215,899,568	171,800,191
Total assets		**245,873,075**	**215,991,781**	**171,911,433**
Liabilities and equity				
Current liabilities				
Related party - J.K. Cement works (Fujairah) FZC - Fujairah	6	31,786	31,786	-
Accrued expenses		37,500	35,000	36,500
Total		69,286	66,786	36,500
Non-current liabilities				
Redeemable preference shares and application money	7	132,338,964	106,135,676	68,491,928
Dividend payable	9	8,104,314	4,591,760	2,476,070
		140,443,278	110,727,436	70,967,998
Total liabilities		140,512,564	110,794.222	71,004,498
Share holders' funds				
Share capital	8	107,145,000	107,145,000	102,555,000
Accumulated losses		(1,784,489)	(1,947,441)	(1,648,065)
Total		105,360,511	105.197,559	100,906,935
Total liabilities and equity		**245,873,075**	**215,991,781**	**171,911,433**

The notes attached herewith form part of these financial statements.

As per our report attached
For Fuller International
Certified Public Accountants

Zeinuddeen Chalakkara
Partner

Directors

Place - Fujairah - U.A.E
Dated: 30th March, 2017

J.K. CEMENT (FUJAIRAH) FZC - FUJAIRAH - U.A.E.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Note	2016 AED	2015 AED *(As restated)*
Revenue	5	3,724,362	1,865,629
Administrative and general expenses			
Directors' sitting fee		32,500	32,500
Trade license and registration fees		5,000	5,000
Office rent		3,900	3,880
Bank charges		2,456	2,935
Other general expenses		5,000	5,000
Finance cost	9	3,512,554	2,115,690
Total		3,561,410	2,165,005
Net income (loss)		162,952	(299,376)
Other comprehensive income		-	-
Net comprehensive income (loss) for the year		**162,952**	**(299,376)**

The notes attached herewith form part of these financial statements.

As per our report attached
For Fuller International
Certified Public Accountants

Zeinuddeen Challakkara
Partner

Directors

Place - Fujairah - U.A.E
Dated:30th March, 2017

J.K. CEMENT (FUJAIRAH) FZC - FUJAIRAH - U.A.E.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Capital AED	Accumulated losses AED *(As restated)*	Total AED
Balance at 31st December, 2014, as previously reported	102,555,000	(872,258)	101,682,742
Prior period adjustments (Note 4)	-	(775,807)	(775,807)
Balance at 31st December, 2014, as restated	102,555,000	(1,648,065)	100,906,935
Additional capital introduced (Note 8)	4,590,000	-	4,590,000
Net loss for the year 2015 (as restated)	-	(299,376)	(299,376)
Balance at 31st December, 2015	107,145,000	(1,947,441)	105,197,559
Additional capital introduced (Note 8)	-	-	-
Net income for the year 2016	-	162,952	162,952
Balance at 31st December, 2016	**107,145,000**	**(1,784,489)**	**105,360,511**

The notes attached herewith form part of these financial statements.

J.K. CEMENT (FUJAIRAH) FZC - FUJAIRAH - U.A.E.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Note	2016 AED	2015 AED *(As restated)*
Operating activities			
Net income (loss) for the year		162,952	(299,376)
Adjustments for:			
Revenue from investment		(3,724,362)	(1,865,629)
Finance cost		3,512,554	2,115,690
Net cash flow before changes in operating assets and liabilities		(48,856)	(49,315)
Changes in operating assets and liabilities:			
Accrued expenses		2,500	(1,500)
Prepayments		8,900	(20)
Net cash (used in) operating activities		(37,456)	(50,835)
Investing activities			
Investment and application money	5	(26,203,288)	(42,233,748)
Financing activities			
Additional equity capital introduced	8	-	4,590,000
Redeemable preference shares and application money	7	26,203,288	37,643,748
Related party - J.K. Cement works - (Fujairah) FZC	6	-	43,900
Net cash generated from financing activities		26,203,288	42,277,648
Decrease in cash and cash equivalents		(37,456)	(6 935)
Cash and cash equivalents at the beginning of the year		83,313	90,248
Cash and cash equivalents at the end of the year		**45,857**	**83,313**

The notes attached herewith form part of these financial statements.

As per our report attached
For Fuller International
Certified Public Accountants

Directors

Zeinuddeen Challakara
Partner

Place - Fujairah - U.A.E
Dated: 30th March, 2017

Note 1 General information

1.1 Incorporation

J.K CEMENT (FUJAIRAH) FZC - (The Company) was incorporated as a Free Zone Company at Fujairah Free Trade Zone on 11th February. 2008 in accordance with the provisions of United Arab Emirates Federal Law No. (8) of 1984 concerning commercial companies as amended and the Free Zone Regulations of the Emirate of Fujairah. The Company was registered in the trade registry on 11th February, 2008 under No. 08-FZC-731.

1.2 Activities

The Company is licensed to carry on the business of trading and investment in cement and allied products.

1.3 Address

The registered address of the Company is P.O. Box 5325, Fujairah, United Arab Emirates.

1.4 Shareholders

The shareholders of the Company are as follows:

Messrs. J.K. Cement Ltd ("The Parent Entity") (A corporate legal entity formed under the laws of Republic of India

Mr. Ajay Kumar Saraogi (A citizen of Republic of India)

Note 2 Summary of significant accounting policies

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standard' (IFRS). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied all the years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note (3).

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of New and Revised IFRS

Amendments to IAS 1, *Presentation of Financial Statements* - The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to IAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation,* and IAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortisation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

Amendment to IAS 19, *Employee Benefit* - The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

Amendments to IAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendment to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.

Amendment to IFRS 7, *Financial Instruments: Disclosures* - The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

Amendments to IFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and IAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Amendments to IFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* – The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

<u>**New and Revised IFRS Not Yet Adopted**</u>

Effective for annual periods beginning on or after 1 January 2018

IFRS 9, *Financial Instruments* – This standard will replace IAS 39 (and all the previous versions of IFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract: it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from IAS 39.

IFRS 15, *Revenue from Contracts with Customers* - The new standard replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and their interpretations (SIC-31, *Revenue – Barter Transactions Involving Advertising Services* and IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate* and IFRIC 18, *Transfers of Assets from Customers*). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.).

IFRS 16 *Leases* -The new standard replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2.2 Basis of preparation and presentation

These financial statements have been prepared prudently and consistently on the assumption that the Company as an entity shall continue in business for the foreseeable future and taking into account expenses and income related to the financial year irrespective whether they have been paid and received and in accordance with historical cost convention under which assets are shown at or below its original cost to the Company and no allowance has been made to cover its replacement cost.

2.3 Foreign currency translation

a - Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Entity operates - United Arab Emirates Dirhams (AED).

b - Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or costs". All other foreign exchange gains and losses are presented in profit or loss within "other (losses)/gains - net"

2.4 Cash and cash equivalents

Cash and cash equivalents includes bank balance, demand deposits and other short term highly liquid investments with original maturities of three months or less.

2.5 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2.6 Impairment of non financial asset other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Provisions

Provision for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.8 Capital

a) Share capital - ordinary shares

Ordinary shares are classified as equity.

b) Compulsory convertible preference share capital

Compulsory convertible preference shares are treated under equity (See Note 8.1.2)

c) Redeemable preference shares

Redeemable preference shares are treated as non-current liabilities in accordance with IAS 32 (18).

d) Redeemable preference share application money

Amount received on redeemable preference share application are treated under non-current liabilities (See Note 5.2).

Note 3 Judgments and key sources of estimation

No significant judgments have had to be made by management in preparing these financial statements

except that the Company's investment with J.K. Cement Works (Fujairah) FZC - Fujairah; the management and board of directors clarify and declare that the said investment is good and economic benefit shall flow into the Company from the investment in the near future.

Note 4 Re-statement of financial statements

In view of the fact that the inclusion of dividend receivable from the subsidiary and dividend payable to parent Company on redeemable preference shares retrospective from 2014 it necessitated the adjustments in the financials of the Company for the years 2014 and 2015; thus to re-state the financials accordingly.

The following reconciliation presents the effects of prior period adjustments on the Company's financial statements.

	31st December, 2014			
	Assets	Liabilities	Equity	Net loss
As previously reported	**170,211,170**	**68,528,428**	**101,682,742**	**(48,821)**
Prior period adjustments				
To recognize interest receivable on redeemable preference shares (Note 5.3)	1,700,263	-	1,700,263	1,627,605
To recognize interest payable on redeemable preference shares (Note 9)	-	2,476,070	(2,476,070)	(1,653,944)
Total adjustments	1,700,263	2,476,070	(775,807)	(26,338)
As restated	**171,911,433**	**71,004,498**	**100,906,935**	**(75,159)**

	31st December, 2015			
	Assets	Liabilities	Equity	Net loss
As previously reported	**212,425,889**	**106,202,462**	**106,223,427**	**(49,315)**
Prior period adjustments				
To recognize interest receivable on redeemable preference shares (Note 5.3)	3,565,892	-	3,565,892	1,865,629
To recognize interest payable on redeemable preference shares (Note 9)	-	4,591,760	(4,591,760)	(2,115,690)
Total adjustments	3,565,892	4,591,760	(1,025,868)	(250,061)
As restated	**215,991,781**	**110,794,222**	**105,197,559**	**(299,376)**

Note 5 Investment

5.1 Investment in Subsidiary

This investment represent 100% redeemable preference shares and 90% equity shares in Messrs J.K. Cement Works (Fujairah) - FZC (The Subsidiary). The Subsidiary is fully controlled and managed by the Company and is licensed to carry on the business of manufacturing all types of cements and allied products.

	2016 AED	2015 AED
At 1st January,	212,333,000	153,756,000
Addition during the year	20,695,000	58,577 000
At 31st December,	233,028,000	212,333,000

5.2 Advance against share application money

Amount paid on share application are treated under non-current assets as these applications, with greater probability, shall meet with final allotment of shares equivalent to the application money or more as the pending matter in this connection is only formal approval of enhancement of capital from the government authorities; and eventually will turn into investment.

The movement of the advances against share application money is as follows;

	2016 AED	2015 AED
At 1st January,	676	16,343,928
Share application payments during the year	26,203,288	25,890,748
Share allotment	(20,695,000)	(42,234,000)
At 31st December,	5,508,964	676
Total (Investment in subsidiary and application money)	238,536,964	212,333,676
Classification		
Equity ordinary shares (90% ownership)	99,157,000	99,157,000
Redeemable preference shares	139,379,964	113,176,676
Total (Investment in subsidiary and application money)	238,536,964	212,333,676

5.3 Dividend receivable

This account represents nondiscretionary dividend receivable from the Subsidiary. The redeemable preferred shares are entitled to cumulative dividends of 3% per annum.The management of the Subsidiary has decided to pay the said interest upon generation of profits which is not anticipated within the next 12months, thus the interest receivable has been classified as noncurrent.

Movement in this account follows:	2016 AED	2015 AED *(As restated)*
Balance at beginning of the year	3,565,892	1,700,263
Interest income for the year	3,724,362	1,865,629
Balance at end of the year	7,290,254	3,565,892

Note 6 Related parties

The Company enters into transactions with other parties that fall within the definition of a related party contained in International Financial Reporting Standards (IAS 24). Such transactions are carried out with such parties in the normal course of business and at terms that correspond to those on normal arm's length transactions with other parties. The Related Parties and their balances at 31st December, 2016 arising from transactions of financing nature are as follows:

	2016 AED	2015 AED
Due to:		
Related party - J K. Cement Works (Fujairah) FZC	31,786	31,786

Note 7 Redeemable preference shares and application money

7.1 Redeemable preference shares

The Company, in order to raise the funds for the additional investment in J.K. Cement Works (Fujairah) FZC, issued redeemable preference shares which are redeemable after a definite time frame as detailed hereunder; and as such the transaction ensues a contractual obligation to repay cash and therefore in accordance with IAS 32 (18), these preference shares are treated as non current financial liability.

	2016 AED	2015 AED
11 year cumulative redeemable preference share capital reported at 31st December,	31,707,000	26,534,000
12 year cumulative redeemable preference share capital reported at 31st December,	31,708,000	26,534,000
13 year cumulative redeemable preference share capital reported at 31st December,	31,708,000	26,534,000
14 year cumulative redeemable preference share capital reported at 31st December,	31,707,000	26,533,000
Total redeemable preference shares	126,830,000	106,135,000

7.2 Redeemable preference share application money pending allotment

The Company received share application money from Messrs J.K. Cement Limited, India for redeemable preference shares as the board of directors and the general meeting of the shareholders resolved to increase the capital of the Company. The management of the Company is of the opinion that application shall meet with the approval from the authority and accordingly shares shall be issued equivalent to application money.

The balance of redeemable preference share application money as of 31st December, 2016 is as follows;

Share application money pending allotment - redeemable preference share		
Compulsory redeemable preference share application	5,508,964	676
Total (Redeemable preference share capital and application money)	132,338,964	106,135,676

Note 8 Share capital

The Capital of the Company on incorporation was AED 1,000,000, made up of 1000 fully paid up shares of AED 1,000 each.

	2016 AED	2015 AED
Authorised equity capital (Made up of 50,000 ordinary shares of AED 1,000 each)	50,000,000	50,000,000
Authorised cumulative compulsory convertible preference share capital (Made up of 85,000 shares of AED 1,000 each)	85,000,000	85,000,000
Authorised cumulative redeemable preference share capital (Made up of 200,000 shares of AED 1,000 each)	200,000,000	200,000,000

8.1 Issued and fully paid up:

8.1.1 Ordinary equity shares

The Company's capital at the reporting date is made up of 36,538 shares of AED 1,000 each totaling to AED 36,538,000. The movement in the capital account is as follows:

	2016 AED	2015 AED
Capital reported at 1st January,	36,538,000	34,826,000
Additional capital introduced	-	1,712,000
At 31st December,	36,538,000	36,538,000

8.1.2 Compulsory convertible preference share capital

	2016 AED	2015 AED
11 year cumulative compulsory convertible preference share capital reported at 31st December,	18,300,000	18,300,000
12 year cumulative compulsory convertible preference share capital reported at 31st December,	33,027,000	33,027,000
13 year cumulative compulsory convertible preference share capital reported at 31st December,	3,759,000	3,759,000
14 year cumulative compulsory convertible preference share capital reported at 31st December,	15,521,000	15,521,000
Total cumulative compulsory convertible preference share capital	70,607,000	70,607,000
Total capital	107,145,000	107,145,000

The Company issued two classes of preference shares: compulsory convertible preference shares and redeemable preference shares. Compulsory convertible preference shares shall be compulsorily converted to ordinary shares with definitive timeframe prescribed; thus the substance of these preference shares is of the equity nature.

Note 9 Dividend payable

This account represents nondiscretionary dividend payable to the Parent Entity on redeemable preference shares. The preferred shares are entitled to cumulative dividends of 3% per annum.This is not expected to be settled within the next twelve months, therefore it is classified as noncurrent.

Movement in this account follows:

	2016 AED	2015 AED *(As restated)*
Balance at beginning of the year	4,591,760	2,476,070
Interest during the year	3,512,554	2,115,690
Balance at end of the year	8,104,314	4,591,760

ote 10 Financial risk management

The Company has exposure to the following risks from use of its financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

10.1 Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit risk is limited to the carrying amount of the financial assets comprising of cash and cash equivalents and balance due from related party. The management continuously review all financial assets portfolios in order to assess reliability and risks associated therewith.

The maximum exposure to credit risk at the reporting date was:	2016 AED	2015 AED
Investment in subsidiary and advance against share application money	238,536,964	212,333,676
Interest receivable	7,290,254	3,565,892
Bank current account balances	45,857	83,313
Total	245,873,075	215,982,881

10.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's business and reputation.

The following are the contractual maturities of financial liabilities of the Company at the reporting date:

	Carrying amount AED	Contractual cash flows AED	Less than 1 year AED	More than 1 year AED
Redeemable preference shares and application money	132,338,964	132,338,964	-	132,338,964
Interest payable	8,104,314	8,104,314	-	8,104,314
Accrued expenses	37,500	37,500	37,500	-
	140,480,778	140,480,778	37,500	140,443,278

10.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's exposure to market risk arises from:

Currency risk

The Company is exposed to currency risk on financial transactions that are denominated in a currency other than the functional currency of Company. In respect of the Company's transactions denominated in United States Dollar (USD) the Company is not exposed to the currency risk as the AED is currently pegged to the USD. Significant transactions in financial assets and liabilities at the reporting date are designated in the functional currency of the Company and therefore the Company is not exposed to material currency exchange risk.

Interest rate risk

The Company is exposed to interest rate risk when it borrows funds at floating interest rates. The Company does not have any floating rate interest bearing borrowings at the reporting date.

10.4 Fair Values of Financial Instruments

The carrying values of the Company's financial assets and financial liabilities approximate their fair values.

Note 11 Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 30th March 2017.