

B S R & Associates LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Independent Auditors' Report

To the Members of Gulbarga Cement Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Gulbarga Cement Limited ("the Company"), which comprise the balance sheet as at 31 December 2015, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial

Independent Auditors' Report (continued)

To the Members of Gulbarga Cement Limited

Auditors' Responsibility (continued)

reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 December 2015, and its losses and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) on the basis of the written representations received from the directors as on 31 December 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2015, from being appointed as a director in terms of Section 164 (2) of the Act; and



B S R & Associates LLP

Independent Auditors' Report (continued)

To the Members of Gulbarga Cement Limited

Report on Other Legal and Regulatory Requirements (continued)

- (f) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company does not have any pending litigations which would impact the financial statements;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number: 116231W/W-100024



Vipin Lodha

Partner

Membership number: 076806

Place: Bangalore

Date: 15 February 2016

Independent Auditors' Report (continued)
To the Members of Gulbarga Cement Limited

Annexure to the Independent Auditors' report

With reference to the Annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 December 2015, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No discrepancies were observed on such verification.
- (ii) The Company is in process of setting up its cement plant and has not started its commercial production as at 31 December 2015. Accordingly, it does not hold any physical inventories.
- (iii) The Company has not granted any loan, secured or unsecured, to companies, covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act').
- (iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that certain services availed in relation to capital items are for the Company's specialized requirement and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. As the Company is yet to commence its commercial production, the activities of the Company do not involve purchase of inventory, sale of goods and rendering of services. We have not observed any major weaknesses in the internal control system during the course of our audit.
- (v) The Company has not accepted any deposits from the public.
- (vi) As the Company is in the process of setting up its cement plant and has not started its commercial production as at 31 December 2015, hence maintenance of cost records under Section 148(1) of the Act is not applicable.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income tax, Service tax, Professional tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Sales tax, Wealth tax, Customs duty, Excise duty, Cess and Investor Education and Protection Fund.



B S R & Associates LLP

Independent Auditors' Report (continued)

To the Members of Gulbarga Cement Limited

Annexure to the Independent Auditors' report (continued)

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Service tax, Income tax and other material statutory dues were in arrears as at 31 December 2015 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues in respect of Income-tax, Service tax and Professional tax which have not been deposited with the appropriate authorities on account of any dispute.
- (c) According to the information and explanations given to us there are no amounts which were required to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under.
- (viii) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. However, the Company has incurred cash losses in the current and immediately preceding financial year.
- (ix) According to the information and explanation given to us, the Company did not have dues to any financial institutions, banks and debenture holders during the year.
- (x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they were raised.
- (xii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of the audit.

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number: 116231W/W-100024



Vipin Lodha

Partner

Membership number: 076806

Place: Bangalore

Date: 15 February 2016

Gulbarga Cement Limited
Balance sheet as at

	Note	31 December 2015	31 December 2014
(INR in lakh)			
Equity and liabilities			
Shareholders' funds			
Share capital	2.1	10,498.05	8,022.57
Reserve and surplus	2.2	26,374.57	24,529.21
		<u>36,872.62</u>	<u>32,551.78</u>
Non-current liabilities			
Long-term borrowings	2.3	5,114.34	9,234.99
Other long term liabilities	2.4	7,416.49	2,292.82
		<u>12,530.83</u>	<u>11,527.81</u>
Current liabilities			
Other current liabilities	2.5	1,337.62	107.90
		<u>1,337.62</u>	<u>107.99</u>
TOTAL		<u><u>46,730.97</u></u>	<u><u>44,707.49</u></u>
Non-current assets			
Fixed assets			
- Tangible assets	2.6	2.09	2.61
- Intangible assets	2.6	608.68	565.88
- Capital work in progress	2.25	17,119.72	11,773.62
		<u>17,730.49</u>	<u>12,342.11</u>
Long term loans and advances	2.7	25,937.55	26,854.98
Other non-current assets	2.8	18.03	18.03
		<u>26,955.58</u>	<u>26,873.01</u>
Current assets			
Current investments	2.9	1,987.52	23.03
Cash and cash equivalents	2.10	11.40	3,339.73
Short term loan and advances	2.11	41.39	19.20
Other current assets	2.12	4.59	9.64
		<u>2,044.90</u>	<u>3,391.56</u>
TOTAL		<u><u>46,730.97</u></u>	<u><u>44,707.49</u></u>

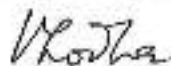
Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

for B S R & Associates I.T.P.
Chartered Accountants
Firm registration number: U16201WV-100026




Vipin Ledia
Partner
Membership number: 076806

Place: Bangalore
Date: 15 February 2016

for and on behalf of the Board of Directors of
Gulbarga Cement Limited
CIN: U28941KA2007PLC051428



Nabil Paul Francis
Managing Director
CIN - 00579472
Place: Bangalore
Date: 15 February 2016



Sunny Ly
Chief Finance Officer
Place: Bangalore
Date: 15 February 2016



Roberto Cailliet
Chairman
CIN - 05139888
Place: Bangalore
Date: 15 February 2016



L.R. Neelakanta
Company Secretary

Place: Bangalore
Date: 15 February 2016

Gulbarga Cement Limited
Statement of profit and loss for the year ended

	Note	31 December 2015	(INR in lacs) 31 December 2014
Other income	2.13	249.84	412.42
		<u>249.84</u>	<u>412.42</u>
Expenses			
Employee benefits expense (refer note 2.25)			-
Finance costs	2.14	744.32	1,013.05
Depreciation and amortisation	2.6	59.68	60.32
Other expenses	2.15	134.99	56.47
Total expenses		<u>938.99</u>	<u>1,174.84</u>
Loss before tax		(689.15)	(762.42)
Tax expense			
Current tax		-	-
Deferred tax	2.27	-	-
Loss after tax		<u>(689.15)</u>	<u>(762.42)</u>
Loss per equity share (nominal value of share INR 10 each (previous year Rs 10 each)) (refer note 2.19)			
Basic (INR)		(0.66)	(1.07)
Diluted (INR)		(0.66)	(1.07)

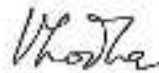
Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached:


In B S R & Associates LLP
Chartered Accountants
Firm registration number: 116231W7W-109024




Vipin Lodha
Partner
Membership number: 070806

Place: Bangalore
Date: 15 FEB 2016


As and on behalf of the Board of Directors of
Gulbarga Cement Limited
CIN: U28941KA2007PLC054428




Nabil Paul Pennels
Managing Director
DIN: 06579472
Place: Bangalore
Date: 15 February 2016



Sushil Ly
Chief Finance Officer
Place: Bangalore
Date: 15 February 2016



Roberto Collieri
Chairman
DIN - 05136888
Place: Bangalore
Date: 15 February 2016



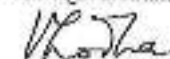
L. R. Neelakanta
Company Secretary
Place: Bangalore
Date: 15 February 2016

Gulbarga Cement Limited
Cash flow statement for the year ended

	31 December 2015	31 December 2014
(INR in lacs)		
Cash flows from operating activities		
Less before tax	(689.15)	(762.43)
<i>Adjustments:</i>		
Depreciation and amortisation	59.68	60.33
Finance costs	246.32	1,019.05
Unrealised foreign exchange loss/(gain)	1.44	(143.75)
Interest income	(221.15)	(230.69)
Profit on sale of current investments, net	(18.69)	(37.98)
Operating cash flows before working capital changes	(133.58)	(98.47)
Increase in loans and advances and other assets	(116.37)	(158.58)
Increase/(decrease) in other liabilities	150.82	(50.74)
Cash used in operations	(99.13)	(207.79)
Net cash used in operating activities	a	(207.79)
Cash flows from investing activities		
Purchase of fixed assets and capital work in progress	(2,302.09)	(20,516.05)
Purchase of current investments	(3,132.00)	(9,395.49)
Proceeds from sale of current investments	1,186.37	2,670.47
Interest received	236.20	233.13
Net cash used in investing activities	b	(20,007.94)
Cash flows from financing activities		
Proceeds from issue of shares (including securities premium)	2,000.00	6,583.00
Repayment of term loan	(2,406.30)	-
Interest and financing charges paid	(311.05)	(301.81)
Net cash provided by financing activities	c	6,281.19
Net decrease in cash and cash equivalents	with e	(14,012.54)
Cash and cash equivalents at the beginning of the year	2,339.72	16,352.26
Cash and cash equivalents at the end of the year	11.40	2,339.72
Cash and cash equivalents (refer note 2.10)	11.40	2,339.72

As per our report of even date attached

for B S R & Associates LLP
Chartered Accountants
Firm registration number: 116231W/PW-100024




Vipin Lashin
Partner
Membership number: 076806

Place: Bangalore
Date: 15 FEB 2016

for and on behalf of the Board of Directors of
Gulbarga Cement Limited
CIN: U26941KA220791C0154438


Nagesh Paul Francis
Managing Director
DIN - 05379472
Place: Bangalore
Date: 15 February 2016


Sundar Ly
Chief Finance Officer
Place: Bangalore
Date: 15 February 2016


Rajendra Callieri
Chairman
DIN - 05129888
Place: Bangalore
Date: 15 February 2016


L.R. Neelakanta
Company Secretary
Place: Bangalore
Date: 15 February 2016

1 – Significant accounting policies

Background

Gulbarga Cement Limited (“the Company”) was incorporated on 23 September 2007 to set up a cement plant in Gulbarga, Karnataka. The Company was initially promoted by Chambal Infrastructures Venture Limited. Subsequently, Zuari Global Limited (“hereinafter ZGL”) acquired 100% stake in the Company from Chambal Infrastructures Venture Limited. The Company then entered into Shareholders’ agreement with ZGL and Zuari Cement Limited (“hereinafter ZCL”) dated 31 August 2011. As per the Company’s Article of Association, ZCL has right to appoint all directors in the board of the Company, hence on account of ZCL’s right to control the composition of the Company’s board, ZCL is the Holding Company (“the Holding Company”) under Section 2(47) of Companies Act 1956 / Section 2(87) of Companies Act 2013. The Company has not commenced commercial production as of 31 December 2015.

1.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis of accounting and comply with the accounting standards prescribed under Section 133 of the Companies Act, 2013 (“the Act”) read with Rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the provisions of the Act to the extent notified and applicable. These financial statements are prepared and presented in lacs of Indian Rupees unless otherwise stated.

1.2 Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

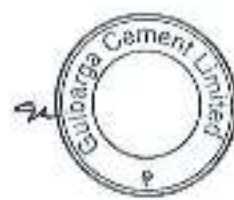
1.3 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit/(loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

1.4 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets.

The cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.



1 – Significant accounting policies (continued)

1.4 Fixed assets and depreciation (continued)

Depreciation is provided on the straight-line method over the estimated useful lives of fixed assets. The useful life of assets are based on internal assessment and independent technical evaluation carried out by internal valuers. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013:

Asset category	Estimated useful life (in years)
Furniture and fittings	5
Office equipment	3
Computer hardware	3
Plant and machinery	3

Computer software is depreciated over the license period or its estimated useful life of 3 years whichever is shorter.

Mining license is amortised over the period of lease.

Prorated depreciation is provided on all assets purchased or sold during the year. Assets, costing individually Rs 5,000 or less are depreciated at 100%.

1.5 Foreign exchange transactions

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains/losses arising from the restatement are recognized in the Statement of Profit and Loss.

1.6 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

1.7 Revenue Recognition

Interest Income

Interest on deployment of surplus funds is recognised using the time proportionate method based on underlying interest rates.



1 – Significant accounting policies (continued)

1.8 Investments

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Profit or losses on sale of investments are recognised on the basis of first in first out unit cost of the investment disposed.

1.9 Employee benefits

a) Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and gratuity. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

b) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to a Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

(ii) Defined benefit scheme

Gratuity is not applicable to the Company as number of employees are less than ten throughout the year.

(iii) Compensated absences

The employees are entitled to compensated absences. The employees can carry forward a portion of unutilized accumulating compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognizes accumulated compensated absences based on actuarial valuation using the projected unit credit method. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Company recognizes actuarial gains and losses immediately in the Statement of Profit and Loss.



1 – Significant accounting policies (continued)

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition/construction of the qualifying assets which are incurred during the period less income earned on temporary investment of these borrowings are capitalized as part of the cost of that asset but capitalization of borrowing costs is suspended if incurred during an extended period in which the activities necessary to prepare an asset for its intended use or sale are interrupted. Other borrowing costs are recognized as an expense in the period in which these are incurred.

1.11 Earnings/ (loss) per share

The basic earnings/ (loss) per share is computed by dividing the net profit or loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of equity shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which would have been issued on conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year unless they have been issued at a later date. The potentially dilutive equity shares have been adjusted for the proceeds receivable had the shares been actually issued at a fair value. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included. Share application money pending allotment or any advance share application money as at the reporting date, which is not statutorily required to be kept separately and is being utilized in the business of the enterprise is treated in the same manner as dilutive potential equity shares for the purpose of calculation of diluted earnings per share.

1.12 Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward business loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets/ liabilities are reviewed as at each reporting date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

The Company offsets, the current (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.



1 – Significant accounting policies (continued)

1.13 Impairment

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

1.14 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. The provisions are measured on an undiscounted basis. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Onerous contracts

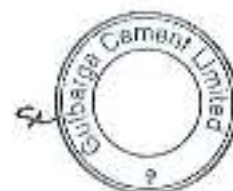
A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred and the amount can be estimated reliably.

1.15 Cash and cash equivalents

Cash and cash equivalents for cash flow statement comprise cash at bank and in hand, and short-term investments with original maturity of three months or less.



Gulbarga Cement Limited
Notes forming part of financial statements (continued)

2.1 Share capital

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
<i>Authorized</i>		
Equity shares, Rs 10 per value		
108,000,000 (previous year: 83,000,000), equity shares	10,800.00	8,300.00
	<u>10,800.00</u>	<u>8,300.00</u>
<i>Issued, Subscribed and fully Paid up</i>		
Equity shares, Rs 10 per value		
104,880,527 (previous year: 80,225,700), equity shares	10,488.05	8,022.57
	<u>10,488.05</u>	<u>8,022.57</u>

Reconciliation of equity shares outstanding at the beginning and at the end of the year:

Particulars	As at 31 December 2015		As at 31 December 2014	
	Number of shares	Amount (INR in lacs)	Number of shares	Amount (INR in lacs)
Shares outstanding at the beginning of the year	80,225,700	8,022.57	31,135,700	3,112.57
Add: Number of shares issued during the year ^a	24,654,832	2,465.48	49,100,000	4,910.00
Shares outstanding at the end of the year	<u>104,880,532</u>	<u>10,488.05</u>	<u>80,225,700</u>	<u>8,022.57</u>

* Also refer to note 2.2.

Rights, preferences and restrictions of equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts, if any, in proportion to the number of equity shares held.



Gulbarga Cement Limited
Notes forming part of financial statements (continued)

2.1 Share capital (continued)

Equity shares held by Holding/Ultimate Holding Company and/or their subsidiaries/associates is given below:

Name of the shareholder	As at	
	31 December 2015	31 December 2014
Equity shares of Rs 10 each fully paid up held by		
a) ZCL (the Holding Company)*	22,496,691	22,496,691
b) CFI	82,383,841	49,636,327
	104,880,532	72,133,018

* ZCL controls the composition of Board of Directors

Particulars of shareholders holding more than 5% shares of a class of shares

Name of the shareholder	As at 31 December 2015		As at 31 December 2014	
	Number of shares	% of Holding	Number of shares	% of Holding
Equity shares of Rs 10 each fully paid-up held by-				
-ZCL	22,496,691	21%	22,496,691	28%
-CFI	82,383,841	79%	49,636,327	62%
-ZCL	-	0%	8,092,682	10%
	104,880,532	100%	80,225,700	100%

The Company has neither allotted any fully paid up equity shares by way of bonus shares or in pursuant to contract without payment being received in cash nor has bought back any class of equity shares during the period of five years immediately preceding the reporting date.

2.2 Reserves and surplus

(INR in lacs)

Particulars	As at	
	31 December 2015	31 December 2014
Securities premium account		
At the commencement of the year	26,911.19	7,271.19
Add: receipt on issue of equity shares *	2,534.51	19,640.00
At the end of the year	29,445.70	26,911.19
Deficit in the Statement of Profit and Loss balance		
At the commencement of the year	(2,381.98)	(1,619.56)
Add: Loss for the year	(689.15)	(762.42)
At the end of the year	(3,071.13)	(2,381.98)
	26,374.57	24,529.21

* Refer note to 2.1.



2.3 Long term borrowings

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
<i>Unsecured</i>		
Term loans from related parties (refer note 2.23):		
a) ZCL	6,114.24	6,848.69
b) ZGL	-	2,406.30
	<u>6,114.24</u>	<u>9,254.99</u>

Detail of repayment terms, interest and maturity:

Term loans from ZCL and ZGL are repayable along with interest in 12 quarterly installments payable at the end of each quarter commencing from the date of expiry of 60 months from the effective date i.e. 8 September 2011 and 26 March 2012 respectively. The rate of interest is SBI base rate plus a margin of 1%. During the current year, the Company has prepaid the entire amount of loan due to ZGL including accrued interest thereon.

2.4 Other-long term liabilities

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
<i>Others</i>		
Accumulated interest accrued but not due on borrowings (refer note 2.23)	2,416.49	2,792.82
	<u>2,416.49</u>	<u>2,792.82</u>

2.5 Other current liabilities

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
<i>To related parties (refer note 2.23)</i>		
Due to subsidiaries	145.81	70.82
Due to affiliates	33.26	-
Interest payable to ZCL	309.60	-
Current maturities of long-term debt from ZCL	734.45	-
<i>Others</i>		
Capital creditors	35.71	0.87
Other payables	15.04	19.04
Accrued expenses	14.92	-
Statutory liabilities	48.33	17.17
	<u>1,337.62</u>	<u>107.90</u>



Gulbarga Cement Limited
Notes forming part of financial statements (continued)

2.6 Fixed assets

(INR in lacs)

Description	Gross block		Accumulated depreciation		Net block	
	As at 1 January 2015	As at 31 December 2015	As at 1 January 2015	For the year	As at 31 December 2015	As at 31 December 2014
<i>Owned, tangible assets</i>						
Furniture and fittings	5.11	5.11	5.56	0.27	4.23	1.15
Office equipment	3.59	3.58	3.34	-	3.34	0.16
Computer hardware	2.07	2.77	1.49	0.80	2.29	0.58
Plant and machinery	2.51	2.97	1.99	0.41	2.40	0.52
	13.19	14.35	10.78	1.48	12.26	2.41
<i>Owned, intangible assets</i>						
Computer software	3.56	3.56	3.53	0.23	3.36	0.23
Leasing license (Note: C)	724.52	724.62	57.97	37.97	115.94	665.65
	728.18	728.18	61.30	58.20	119.50	666.88
Total	741.37	742.53	72.08	59.68	131.76	669.29
<i>Previous year</i>	<i>745.05</i>	<i>747.37</i>	<i>71.75</i>	<i>60.12</i>	<i>72.68</i>	<i>669.29</i>

Note 1: The Company has purchased mining license from Charnal Fertilizers and Chemicals Limited and this same is valid till 5 October 2027. Hence, the Company is depreciating the same over its useful life.



2.7 Long term loans and advances

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
(Unsecured, considered good)		
Capital advances #	25,805.21	25,817.03
Service tax receivable	844.59	750.20
Electricity deposits	283.40	283.40
Other deposits	4.35	4.35
	<u>26,937.55</u>	<u>26,854.98</u>

Capital advances includes INR 25,395 lacs paid to KIAIDB (Karnataka Industrial Areas Development Board, India) towards the acquisition of land for its cement plant. It includes INR 410 lacs paid to K.V.R., Rail Infra for acquisition of land.

2.8 Other non-current assets

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
Bank deposits (due to mature after 12 months from the reporting date)	18.03	18.03
	<u>18.03</u>	<u>18.03</u>

2.9 Current investments

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
Non-trade investments		
Investment in mutual funds - unquoted		
91,008,414 Units (previous year: nil) of IDFC Cash Fund Direct Plan Growth - Market value 1,805,0016 (previous year: nil)	1,642.70	-
21,741,129 Units (previous year: nil) of DIIPI, Pramerica Liquid Fund- Direct Plan- growth option - Market value 1,586,0243 (previous year: nil)	344.82	-
Nil Units (previous year: 12,934) of DWS Insta Cash Plus Fund - Direct Plan Growth -Market value: INR Nil (previous year: INR 177.92)	-	23.00
	<u>1,987.52</u>	<u>23.00</u>

2.10 Cash and cash equivalents:

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
Cash on hand	-	-
Balance with banks:		
- in current accounts	11.40	12.72
- in deposit accounts (with a original maturity of less or equal to three months)	-	2,327.00
	<u>11.40</u>	<u>2,339.72</u>

2.11 Short-term loan and advances

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
(Unsecured, considered good)		
Tax deducted at source	41.39	17.77
Staff advance	-	1.43
	<u>41.39</u>	<u>19.20</u>

2.12 Other current assets

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
Interest accrued but not due on fixed deposits	4.59	9.64
	<u>4.59</u>	<u>9.64</u>



Gulbarga Cement Limited
Notes forming part of financial statements (continued)

2.13 Other income

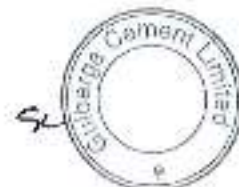
Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest income	231.15	230.69
Profit on sale of current investments (net)	18.69	37.98
Foreign exchange gain (net)	-	143.75
	<u>249.84</u>	<u>412.42</u>

2.14 Finance cost

Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest expense	744.32	1,018.05
	<u>744.32</u>	<u>1,018.05</u>

2.15 Other expense

Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Rent (refer note 2.20 and 2.25)	32.99	39.02
Repairs and maintenance:		
- others	29.57	26.23
Rates and taxes	43.67	15.76
Travelling and conveyance	3.31	2.69
Legal and professional fees	8.81	7.64
Directors' sitting fees	6.00	0.00
Bank charges	0.18	0.21
Communication	1.35	0.95
Printing and stationery	0.92	0.46
Foreign exchange loss (net)	1.44	0.00
Miscellaneous	6.75	3.51
	<u>134.99</u>	<u>96.47</u>



Gulbarga Cement Limited
Notes forming part of financial statements (continued)

2.16 Commitments (to the extent not provided for)

Particulars	(INR in lacs)	
	As at 31 December 2015	As at 31 December 2014
Commitments		
Estimated amount of unexecuted capital contracts (net of advances)	2,309.70	550.52
	<u>2,309.70</u>	<u>550.52</u>

There are no other material commitments.

2.17 Auditors' remuneration (included in legal and professional fees) #

Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Statutory audit	2.00	2.00
Group audit	2.00	2.00
Out of pocket expenses	0.08	0.08
	<u>4.08</u>	<u>4.08</u>

exclusive of service tax

2.18 Expenditure in foreign currency

Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Consultancy charges (capitalised)	39.76	-
	<u>39.76</u>	<u>-</u>

2.19 Earnings / (loss) per share (EPS)

Computation of weighted average number of shares and (loss)/earnings per share

Particulars	(INR in lacs)	
	For the year ended 31 December 2015	For the year ended 31 December 2014
Weighted average number of equity shares outstanding at the beginning of the year	80,225,700	31,125,700
Add: Weighted average number of shares added during the year (refer note 2.1)	23,641,620	39,818,082
Weighted average number of equity shares for calculation of basic EPS	<u>103,867,320</u>	<u>70,943,782</u>
Loss after tax	(689.15)	(762.42)
Loss per share – basic	(0.66)	(1.07)
Loss per share – diluted	(0.66)	(1.07)

2.20 Leases

The Company is obligated under cancellable lease for office space that is renewable on a periodic basis at the option of both the lessor and lessee. The total rental expenses under cancellable operating leases amounted to INR 32.99 lacs (previous year: INR 39.02 lacs). Also refer note 2.15.



2.21 Particulars of un-hedged foreign currency exposure as at the reporting date:

Particulars	As at 31 December 2015		As at 31 December 2014	
	Amount in original currency in INR	Amount in INR INR	Amount in original currency in INR	Amount in INR INR
Bank				
Capital creditors	0.45	33.26	-	-

There are no outstanding derivative contracts as at the reporting date.

2.22 Segment reporting

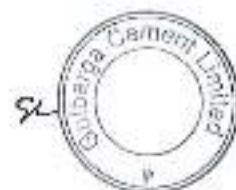
The Company has not commenced its commercial production and hence, information under segmental reporting as per AS-17 has not been furnished.

2.23 Related party disclosures

Sl. No.	Name of related parties	Relationship
(i)	Indicementi S.p.A	Ultimate Holding Company
(ii)	Zuari Cement Limited	Holding Company
(iii)	CIF	Party under common control
(iv)	Soma India Limited	Party under common control
(v)	CTG S.p.A	Party under common control
(vi)	Zuari Global Limited	Shareholder / Party having common director
(vii)	Mr. Nihal Paul Francis, Managing Director	Key Management Personnel
(viii)	Somnath Ly, Chief Finance Officer	Key Management Personnel
(ix)	L. S. Neelakanta	Company Secretary

Sl. No.	Name of related party	Description of the transaction	Transactions during the year (INR in INR)		Outstanding at year end-payable / (receivable) (INR in INR)	
			31 December 2015	31 December 2014	31 December 2015	31 December 2014
(i)	ZCL	Transfer of equity shares*	(1,541.27)	-	-	-
		Unsecured loan taken	-	-	-	2,406.30
		Repayment of loan	2,406.30	-	-	-
		Payment of interest	736.53	-	-	-
		Interest accrued on unsecured loan	9.79	238.23	-	725.93
(ii)	ZCL	Issue of equity shares * (including premium)	-	1,410.31	-	-
		Unsecured loan taken	-	-	6,548.69	6,548.69
		Interest accrued on unsecured loan	669.11	675.02	2,728.08	2,765.98
		Expense reimbursed	283.99	277.34	145.81	30.89
(iii)	Soma India Limited	Consultancy charges	-	9.30	-	-
(iv)	CIF	Issue of equity shares* (including premium)	3,000.00	21,139.99	-	-
		Transfer of equity shares*	1,511.27	-	-	-
(v)	CTG S.p.A	Consultancy charges	39.76	-	33.25	-

* refer note to 2.1



Gullborgs Cement Limited
Notes to financial statements (continued)

2.24: The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 December 2015 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprise Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended	For the year ended
	31-Dec-15	31-Dec-14
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.	Nil.	Nil.
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year.	Nil.	Nil.
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	Nil.	Nil.
The amount of interest accrued and remaining unpaid at the end of the year; and	Nil.	Nil.
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil.	Nil.

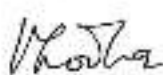
2.25: Capital work in progress represents costs incurred for the Company's cement factory project in Gullborgs location for the production of clinker and grey cement. Capital work in progress includes rent cost of INR 62.25 lacs [previous year: INR 55.98 lacs lacs]. Further employee cost aggregating to INR 265.14 lacs [previous year: INR 265.98 lacs] is primarily related to project and is included in Capital work in progress.

2.26: The Company has paid sitting fee to the directors amounting INR 6 lacs for the year ending 31 December 2015 (previous year: Nil).

2.27: The Company has not recorded the deferred tax asset as at 31 December 2015 on tax losses as presently there is no evidence of virtual certainty available to absorb such losses in near future.

2.28: As per the mining lease extension letter dated 23 June 2014 written by the Department of Mines and Geology, the Company was required to commence the mining operations by 18 October 2014. The Company has begun the operations such as clearing of plantations, levelling of lands and removal of overburden which the Company believes are part of mining operations. Further, the Company has been filing monthly return with Regional Controller of Mines with NIL quantity of extraction since October 2014. In view of the aforesaid, the Company's Management believes that the Company is in compliance with the applicable laws and regulations relating to mining operations.

For B S R & Associates LLP
Chartered Accountants
Firm registration number: 116251W/W-100024



Vipin Latha
Partner
Membership number: 075496

Place: Bangalore
Date: 15 February 2016

For and on behalf of Board of Directors of
Gullborgs Cement Limited
CIN: U20841KA2007PLC094428



Nola Paul Francis
Managing Director
CIN: 08578472
Place: Bangalore
Date: 15 February 2016



Simsha Jay
Chief Finance Officer
Place: Bangalore
Date: 15 February 2016



Roberto Collieri
Chairman
CIN: 05138088
Place: Bangalore
Date: 15 February 2016



L. R. Neelakanta
Company Secretary
Place: Bangalore
Date: 15 February 2016