
Auditors' Report

**TO THE BOARD OF DIRECTORS
JINDAL SAW MIDDLE EAST FZC**

We have audited the attached Balance Sheet of JINDAL SAW MIDDLE EAST FZC, as at 31stMarch 2011 and the Cash Flow Statement of the Company for the year ended on that date annexed thereto as per the Indian Generally Accepted Accounting Principles (Indian GAAP). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and we report that:
 - a. We have 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 accounts have been kept by the Company so far as appears from our examination of the books.
 - c. The Balance Sheet & Cash Flow Statement maintained by the Company as per Indian Generally Accepted Accounting Principles dealt with by this report are in agreement with the books of accounts.
 - d. In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the Indian GAAP.
 - e. On the basis of the information and according to the explanations given to us, the said accounts, read with the notes thereon, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31stMarch, 2011,
 - ii. In the case of Cash Flow Statement of the Cash Flows of the Company for the year ended on that date.

For N.C. Aggarwal & Co.,
Chartered Accountants,
Firm Registration No.003273N

Place: NEW DELHI
Dated: 27-07-2011

S/D
(G.K. Aggarwal)
Partner
M.No.:086622

JINDAL SAW MIDDLE EAST FZC
BALANCE SHEET AS AT MARCH 31, 2011

DESCRIPTION	SCHEDULE	AS AT	AS AT	AS AT	AS AT
		MARCH 31, 2011 (AED)	MARCH 31, 2011 (Rs.)	MARCH 31, 2010 (AED)	MARCH 31, 2010 (Rs.)
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
Share Capital	1	150,000	1,821,015	150,000	1,830,675
Share Application Money		44,319,384	538,041,754	744,057	9,080,838
		44,469,384	539,862,769	894,057	10,911,513
LOAN FUNDS					
Secured Loan	2	421,609	5,118,383	-	-
Total		44,890,993	544,981,152	894,057	10,911,513
APPLICATIONS OF FUNDS					
Fixed Assets					
Capital Work in Progress		19,770,829	240,019,837	13,425	163,845
INVESTMENTS	3	17,173,509	208,488,120	464,728	5,671,767
CURRENT ASSETS, LOANS & ADVANCES					
Cash and Bank Balances	4	8,305,107	100,824,839	400,404	4,886,730
Loans & Advances	5	16,250	197,277	16,250	198,324
		8,321,357	101,022,116	416,654	5,085,054
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	6	374,702	4,548,921	750	9,153
NET CURRENT ASSETS		7,946,655	96,473,195	415,904	5,075,900
Total		44,890,993	544,981,152	894,057	10,911,513

Significant Accounting Policies and Notes to the Accounts

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As per our report of even date attached

For **N.C. AGGARWAL & CO.**
Chartered Accountants
Firm Registration No. 003273N

S/D
G.K. Aggarwal
PARTNER
M.No. 086622
PLACE : NEW DELHI
DATED : 27.07.2011

For and on behalf of the Board of Directors

S/D
Sanjay Kumar Aggarwal
Director

JINDAL SAW MIDDLE EAST FZC

DESCRIPTION	AS AT MARCH 31, 2011 (AED)	AS AT MARCH 31, 2011 (Rs.)	AS AT MARCH 31, 2010 (AED)	AS AT MARCH 31, 2010 (Rs.)
SCHEDULE "1"				
SHARE CAPITAL				
AUTHORISED				
1000 Equity Shares of Dhs. 150 each	150,000	1,821,015	150,000	1,830,675
	<u>150,000</u>	<u>1,821,015</u>	<u>150,000</u>	<u>1,830,675</u>
ISSUED, SUBSCRIBED AND PAID UP				
1000 Equity Shares of Dhs. 150 each (750 shares of Dhs 150/- each are held by holding company Jindal Saw Holding FZE)	150,000	1,821,015	150,000	1,830,675
	<u>150,000</u>	<u>1,821,015</u>	<u>150,000</u>	<u>1,830,675</u>
SCHEDULE "2"				
Secured Loan				
Working capital loan from bank	421,609	5,118,371	-	-
	<u>421,609</u>	<u>5,118,371</u>	-	-
Note:				
Working capital loan is secured / to be secured by hypothecation of movable and immovable assets of the company. The loan is also secured by guarantee given by holding company.				
SCHEDULE "3"				
INVESTMENTS				
LONG TERM-NON TRADE (AT COST)				
Investment in Subsidiary Company				
Unquoted Shares				
Jindal Saw Gulf LLC (2000 Equity Shares of Dhs. 150 each)	300,000	3,642,030	-	-
Ralael Holdings Limited (1000 Equity Shares of Euro 1 each)	4,955	60,154	-	-
	<u>304,955</u>	<u>3,702,184</u>	-	-
Share Application Money				
Jindal Saw Gulf LLC	16,757,081	203,432,644	464,728	5,671,767
Ralael Holdings Limited	111,473	1,353,292	-	-
	<u>16,868,554</u>	<u>204,785,936</u>	<u>464,728</u>	<u>5,671,767</u>
Aggregate Value of Unquoted Investments	<u>17,173,509</u>	<u>208,488,120</u>	<u>464,728</u>	<u>5,671,767</u>
SCHEDULE "4"				
CASH AND BANK BALANCES				
Balance with Scheduled banks :-				
Current Accounts	623,906	7,574,287	400,404	4,886,730
Deposit Account	6,333,240	76,886,164	-	-
Margin Money Account	1,347,961	16,364,377	-	-
	<u>8,305,107</u>	<u>100,824,828</u>	<u>400,404</u>	<u>4,886,730</u>
SCHEDULE "5"				
LOANS AND ADVANCES				
(Unsecured , considered good)				
i) Advance recoverable in cash or in kind or for which value to be received	11,250	136,576	11,250	137,301
ii) Earnest money and Security deposits	5,000	60,701	5,000	61,023
	<u>16,250</u>	<u>197,277</u>	<u>16,250</u>	<u>198,324</u>
SCHEDULE "6"				
CURRENT LIABILITIES				
Sundry Creditors	369,540	4,486,255	-	-
Other Liabilities	5,162	18,210	750	9,153
	<u>374,702</u>	<u>4,504,465</u>	<u>750</u>	<u>9,153</u>

JINDAL SAW MIDDLE EAST FZC
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

DESCRIPTION	For the year ended March 31, 2011 (AED)	For the Year ended March 31, 2011 (Rs.)	For the period ended March 31, 2010 (AED)	For the Period ended March 31, 2010 (Rs.)
A. CASH INFLOW (OUTFLOW) FROM THE OPERATING ACTIVITIES				
<u>NET PROFIT (LOSS) BEFORE TAX</u>	-	-	-	-
Adjustments for:				
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGE	-	-	-	-
Adjustments for:				
Loans and Advances	-	-	(16,250)	(198,323)
Current Liabilities	373,952	4,539,768	750	9,153
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	373,952	4,539,768	(15,500)	(189,170)
B. CASH INFLOW (OUTFLOW) FROM INVESTMENT ACTIVITIES				
Investment made during the year	(16,708,782)	(202,816,353)	(464,728)	(5,671,768)
Capital Work-in-progress including capital advances	(19,757,404)	(239,864,592)	(13,425)	(163,845)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(36,466,185)	(442,680,945)	(478,153)	(5,835,613)
C. CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES				
Proceeds from Share Capital Including Share Application Money	43,575,328	528,960,916	894,057	10,911,513
Unsecured Loan	421,609	5,118,371	-	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	43,996,936	534,079,287	894,057	10,911,513
NET CHANGE IN CASH & CASH EQUIVALENT	7,904,703	95,938,109	400,404	4,886,730
Opening balance of Cash and Cash equivalent	400,404	4,886,730	-	-
Closing balance of Cash and Cash equivalent	8,305,107	100,824,839	400,404	4,886,730

As per our report of even date attached

For **N.C. AGGARWAL & CO.**
Chartered Accountants
Firm Registration No. 003273N

For and on behalf of the Board of Directors

S/D
G.K.Aggarwal
PARTNER
M.No. 086622
PLACE : NEW DELHI
DATED : 27-07-2011

S/D
Sanjay Kumar Aggarwal
Director

JINDAL SAW MIDDLE EAST FZC

SCHEDULE – “7”

SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF THE FINANCIAL STATEMENTS

A ACCOUNTING POLICIES

i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India. The Company follows the Mercantile System of Accounting and recognises Income & Expenditure on Accrual basis.

ii) FOREIGN EXCHANGE TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary foreign currency assets and liabilities are translated at the year end exchange rates. All exchange differences are dealt with in the Profit and Loss Account, except (i) to the extent that they are regarded as an adjustment to the interest cost and the resultant balance for new projects ,till the date of capitalization, are carried to pre-operative expenses. In case of forward foreign exchange contracts, exchange difference are dealt within the Profit and Loss Account over the life of the contract, except as mentioned in (i) supra. Non monetary foreign currency items are carried at historic costs.

iii) CONVERSION INTO INDIAN RUPEES

Company being non-integral subsidiary of holding company, all the revenue items are converted at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange Gain arising on conversion is recognized in the exchange fluctuation reserves and in case of loss, the same is charged to profit and loss appropriation account and carried to balance of accumulated losses.

iv) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) is Rs. 1,04,68,16,304 (Previous Period Nil.)

v) FIXED ASSETS

a) VALUATION OF FIXED ASSETS

Tangible Fixed Assets are stated at cost of acquisition inclusive of all incidental expenses related thereto .

Expenditures which are directly attributable to identified assets and incurred during the construction period are included under capital work-in-progress, till the completion of the project. Expenditures which are not directly attributable to an identified asset forming part of a project, including interest on borrowed funds, are carried to pre-operative expenses, till the completion of the project. On completion of the project, capital work in progress along with pre-operative expenses is carried to respective fixed assets.

vi) INVESTMENTS

Long-term investments are stated at cost. When there is a decline other than temporary in their value, the carrying amount is reduced on an individual investment basis and decline is charged to the Profit and Loss Account. Appropriate adjustment is made in carrying cost of investment in case of subsequent rise in value of investments.

vii) BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized (net of income on temporarily deployment of funds) as part of the cost of such assets and other borrowing costs are recognized as expense in the period in which these are incurred.

viii) USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are know/materialized.

ix) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advance) is Rs. 1,04,68,16,104 (Previous period Nil).

B NOTES TO ACCOUNTS

1 Related Party Disclosure:

A Holding Company

- i) Jindal Saw Holdings FZE (Direct)
- ii) Jindal Saw Limited (Indirect)

B Subsidiary Companies

- i) Jindal Saw Gulf LLC. (By Control)
- ii) Ralael Holdings Ltd.(Direct)
- iii) Jindal Saw Italia S.r.l (Indirect)

C Fellow Subsidiaries:

1. Indirect

- i) Hexa Securities & Finance Co. Ltd
- ii) Jindal ITF Ltd.
- iii) IUP Jindal Metal & Alloys Ltd.
- iv) Hexa Tradex Limited (w.e.f. 28th October 2010)
- v) Jindal Intellicom Limited (formerly known as Jindal Intellicom Pvt. Ltd.)
- vi) JITF Water Infrastructure Ltd. (formerly known as Jindal Water Infrastructure Ltd)
- vii) JITF Urban Infrastructure Ltd. (formerly known as Jindal Urban Infrastructure Ltd)
- viii) JITF Shipyards Ltd. (formerly known as Jindal Shipyards Ltd.)
- ix) Jindal Rail Infrastructure Ltd.
- x) JITF Waterways Ltd. (formerly known as Jindal Waterways Ltd.)
- xi) JITF Infralogistics Ltd. (formerly known as Jindal Infralogistics Ltd.)
- xii) JITF Water Infra (Naya Raipur) Ltd. (formerly known as Jindal Water Infra (Naya Raipur) Ltd.)
- xiii) JITF ESIPL CETP (Sitaganj) Ltd. (formerly known as Jindal ESIPL CETP (Sitaganj) Ltd.)
- xiv) Timarpur-Okhla Waste Management Co. Pvt. Ltd.
- xv) JITF Urban Infrastructure Services Ltd. (wef 6th July 2010)
- xvi) Intellicom Insurance Advisor Ltd. (w.e.f. 9th August 2011)
- xvii) Jindal Saw USA LLC
- xviii) S.V.Trading Ltd.

D Key Management Personnel

- i) Sanjay Kumar Agarwal

E Transactions:

S. No.	Particulars		Current Year Ending on 31.3.2011		Previous Period Ending on 31.3.2010	
			AED	INR	AED	INR
A)	Transactions					
i)	Share Capital Subscribed					
	Jindal SAW Holdings FZE	Holding Company	-	-	112,500	1,373,006
	Sanjay Kumar Agarwal	Key Management Personnel	-	-	37,500	457,669
ii)	Share Application Money Received					
	Jindal SAW Holdings FZE	Holding Company	31,052,945	376,985,860	393,500	4,802,471
	Sanjay Kumar Agarwal	Key Management Personnel	12,522,382	152,022,973	350,557	4,278,367
iii)	Investment Made					
	Jindal Saw Gulf LLC	Subsidiary Company	300,000	3,642,030	-	-
	Ralael Holdings Ltd	Subsidiary Company	4,955	60,154	-	-
iv)	Share Application Money Given					
	Jindal Saw Gulf LLC	Subsidiary Company	16,292,354	201,402,907	464,728	5,671,767
	Ralael Holdings Ltd	Subsidiary Company	111,473	1,353,292	-	-
v)	Corporate Guarantee Fees (Expense)					
	Jindal Saw Limited	Holding Company	64,237	779,846	-	-
B)	Outstanding Balance as on 31st March, 2011					
	Payables					
	Jindal Saw Limited	Holding Company	64,237	779,846	-	-

3 Capital work in progress includes Capital Advances and Pre operative expenses pending allocation.

S.No	Particulars	Current Year Ending on 31.3.2011		Previous Period Ending on 31.3.2010	
		AED	INR	AED	INR
1	Capital Advances	17,378,438	210,975,975	-	-
	Total - 1	17,378,438	210,975,975	-	-
2	Pre-operative Expenses				
	Rent	6,875	83,463	6,875	83,906
	Registration Charges	5,800	70,413	5,800	70,786
	Audit Fee	5,162	62,667	750	9,153
	Bank Charges	69,578	844,683	-	-
	Licence Fees	15,000	182,102	-	-
	Travelling Expenses	23,460	284,801	-	-
		125,874	1,528,128	13,425	163,845
	Less: Pre-Operative Income				
	Interest Income	70,873	860,409	-	-
	Foreign Exchange Fluctuation	991,132	12,032,447	-	-
		1,062,006	12,892,856	-	-
	Total - 2	(936,131)	(11,364,728)	13,425	163,845
	Grand Total (1+ 2)	16,442,307	199,611,247	13,425	163,845

- 4 The Company is incorporated in United Arab Emirates on 19th day of October, 2009. The Company is a Majority owned subsidiary of Jindal Saw Limited. The accounts have been prepared and audited for the purpose of attachment to the accounts of the Holding Company to comply with the provisions of the Indian Companies Act, 1956.
- 5 Previous period figure have been regrouped/rearranged wherever considered necessary. Current year figure of Profit & Loss Account are not comparable with Previous Period as the Previous Period figure are from date of incorporation i.e. 19th october, 2009 to 31st March 2010.

For N.C. AGGARWAL & CO.
Chartered Accountants
Firm Registration No. 003273N

For and on behalf of the Board of Directors

S/D
G.K.Aggarwal
PARTNER
M.No. 086622
PLACE : NEW DELHI
DATED : 27/07/2011

S/D
Sanjay Kumar Aggarwal
Director