

**Jindal Saw Gulf (L.L.C.)**  
**Abu Dhabi - United Arab Emirates**

**Auditors' report and financial statements**  
**For the year ended March 31, 2015**

**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

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**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

General information

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Principal Office Address : Plot no. 11 NR28 & 12 NR24 ICAD III,  
P.O. Box: 132595  
Abu Dhabi - United Arab Emirates  
T: +971 2 5506883  
F: +971 2 5506885

Website : [www.jindalsaw.com](http://www.jindalsaw.com)

The Directors	Name	Nationality
	Mr. Prithavi Raj Jindal	Indian
	Mr. Sanjay Kumar Aggarwal	Indian
	Mr. Ankit Shah Shailesh Ramanlal Shah	Indian

The Auditors : Horwath Mak  
P.O. Box: 262794  
Dubai - United Arab Emirates

The Banks : Commercial Bank of Dubai  
Commercial Bank International  
Emirates NBD  
Mashreq Bank

**Jindal Saw Gulf (L.L.C.)**  
Abu Dhabi - United Arab Emirates

**Director's report**

The Director has pleasure in presenting his report and the audited financial statements for the year ended March 31, 2015.

**Principal activities of the Entity:**

The principal activities of the Entity are unchanged since the previous year and consist of manufacturing all types of steel pipes and related accessories and pipelines and metal products coating.

**Financial review:**

The table below summarizes the results of 2015 and 2014.

	<u>2015</u>	<u>2014</u>
	AED	AED
Revenue	374,953,014	160,293,024
Gross profit	59,811,199	7,269,393
Gross profit margin	16%	5%
(Loss) for the year	(1,019,369)	(33,199,369)

**Role of the Director:**

The Director is the Entity's principal decision-making authority. The Director has the overall responsibility for leading and supervising the Entity for delivering sustainable shareholder value through his guidance and supervision of the Entity's business. The Managing Director sets the strategies and policies of the Entity. He monitors performance of the Entity's business, guides and supervises its management.

**Going concern:**

The attached financial statements have been prepared on a going concern basis. While preparing the financial statements the management has made an assessment of the Entity's ability to continue as a going concern. The management has not come across any evidence that causes it to believe that material uncertainties related to the events or conditions existed, which may cast significant doubt on the Entity's ability to continue as a going concern.

**Events after year end:**

In the opinion of the Managing Director, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Entity.

**Auditors:**

M/s. Horwath Mak, United Arab Emirates is willing to continue in office and a resolution to re-appoint it will be proposed in the Annual General Meeting.

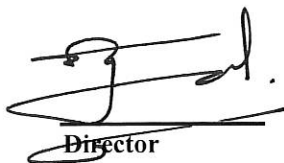
**Statement of Director's responsibilities:**

The applicable requirements, require the Director to prepare the financial statements for each financial year which present fairly in all material respects, the financial position of the Entity and its financial performance for the year then ended.

**Statement of Director's responsibilities (continued):**

The audited financial statements for the year under review, have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Director confirms that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the financial position of the Entity and enables him to ensure that the financial statements comply with the requirements of applicable statute. The Director also confirms that appropriate accounting policies have been selected and applied consistently in order that the financial statements reflect fairly the form and substance of the transactions carried out during the year under review and reasonably present the Entity's financial conditions and results of its operations.

These financial statements were approved by the Board and signed on behalf by the authorised representative of the Entity.



Handwritten signature of the Director, consisting of a stylized cursive script.

**Director**

**Date: May 05, 2015**

Ref: JM/AR/15/8235

### **Independent auditors' report**

To,

The Shareholders

**M/s. Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

#### **Report on the financial statements**

We have audited the accompanying financial statements of **M/s. Jindal Saw Gulf (L.L.C.)**, Abu Dhabi - United Arab Emirates, ("Entity") which comprise the statement of financial position as at March 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory informations.

#### **Management's responsibility for the financial statements**

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

#### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

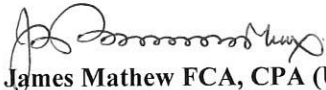
**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **M/s. Jindal Saw Gulf (L.L.C.)**, Abu Dhabi - United Arab Emirates as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on other legal and regulatory requirements**

As required by the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), we further confirm that,

1. We have obtained all the information and explanations which we consider necessary for our audit.
2. Proper books of accounts have been maintained by the Entity.
3. A physical count of inventories was carried out by the management in accordance with established principles.
4. The contents of the Director's report which relates to the financial statements are in agreement with the Entity's books of accounts.
5. According to the information made available to us, we are not aware of any contraventions during the year of the above mentioned law or the Entity's Articles of Association; which may have material affect on the financial position of the Entity or the result of its operations for the year.

**For Horwath Mak**

**James Mathew FCA, CPA (USA)**  
**Managing Partner**  
**Reg. no. 548**  
**May 05, 2015**



**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

Statement of financial position as at March 31, 2015

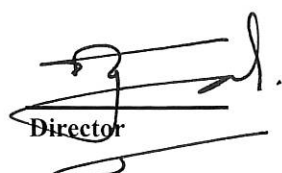
(In Arab Emirates Dirhams)

	Notes	2015	2014
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	42,944,279	21,957,871
<i>Total non-current assets</i>		42,944,279	21,957,871
<i>Current assets</i>			
Inventories	5	128,856,732	106,143,730
Due from related parties	6	1,410,063	5,014,935
Trade receivables	7	85,390,010	30,311,358
Advances, deposits and other receivables	8	11,313,820	8,892,901
Cash and bank balances	9	2,996,555	3,387,795
<i>Total current assets</i>		229,967,180	153,750,719
<b>Total assets</b>		272,911,459	175,708,590
<b>Equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	10	300,000	300,000
Accumulated (losses)	11	(35,823,884)	(34,804,515)
Shareholder's current account	12	179,818,824	192,526,454
<i>Total shareholders' equity</i>		144,294,940	158,021,939
<i>Non-current liabilities</i>			
Bank borrowings - non current portion	15	22,507	39,511
Employees' end of service benefits	13	1,495,413	1,086,837
<i>Total non-current liabilities</i>		1,517,920	1,126,348
<i>Current liabilities</i>			
Trade and other payables	14	26,949,197	13,713,499
Due to related parties	6	61,252,052	592,752
Bank borrowings	15	38,897,350	2,254,052
<i>Total current liabilities</i>		127,098,599	16,560,303
<b>Total liabilities</b>		128,616,519	17,686,651
<b>Total shareholders' equity and liabilities</b>		272,911,459	175,708,590

The accompanying notes form an integral part of these financial statements.

The report of the auditors is set out on pages 4 and 5.

The financial statements on pages 6 to 29 were approved on May 04, 2015 and signed on behalf of the Entity by:

  
Director

**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

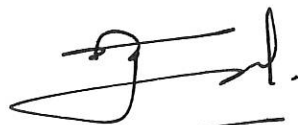
Statement of profit or loss and other comprehensive income for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Revenue	16	374,953,014	160,293,024
Cost of revenue	17	<u>(315,141,815)</u>	<u>(153,023,631)</u>
<b>Gross profit</b>		<b>59,811,199</b>	<b>7,269,393</b>
Other income	18	1,120,379	807,367
Selling and distribution expenses	19	<b>(28,554,595)</b>	(16,093,054)
Administrative expenses	20	<b>(19,922,854)</b>	(15,832,441)
Finance costs	21	<u><b>(13,473,498)</b></u>	<u>(9,350,634)</u>
<b>(Loss) for the year</b>		<b>(1,019,369)</b>	<b>(33,199,369)</b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) for the year</b>		<u><b>(1,019,369)</b></u>	<u><b>(33,199,369)</b></u>

The accompanying notes form an integral part of these financial statements.

The report of the auditors is set out on pages 4 and 5.

The financial statements on pages 6 to 29 were approved on May 04, 2015 and signed on behalf of the Entity by:

  
Director

**Jindal Saw Gulf (L.L.C.)**  
 Abu Dhabi - United Arab Emirates

Statement of changes in shareholders' equity for the year ended March 31, 2015  
 (In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2013	300,000	(1,605,146)	91,614,975	90,309,829
(Loss) for the year	-	(33,199,369)	-	(33,199,369)
Net movements during the year	-	-	100,911,479	100,911,479
Balance as at March 31, 2014	300,000	(34,804,515)	192,526,454	158,021,939
(Loss) for the year	-	(1,019,369)	-	(1,019,369)
Net movements during the year	-	-	(12,707,630)	(12,707,630)
<b>Balance as at March 31, 2015</b>	<b>300,000</b>	<b>(35,823,884)</b>	<b>179,818,824</b>	<b>144,294,940</b>

The accompanying notes form an integral part of these financial statements.

The report of the auditors is set out on pages 4 and 5.

**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

Statement of cash flows for the year ended March 31, 2015

(In Arab Emirates Dirhams)

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
(Loss) for the year	(1,019,369)	(33,199,369)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	6,906,380	1,619,621
(Gain) on sale of property plant and equipment	(467)	(50,316)
Provision for employees' end of service benefits	581,494	495,302
<b>Operating profit/(loss) before changes in operating assets and liabilities</b>	<b>6,468,038</b>	<b>(31,134,762)</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	(22,713,002)	(40,158,839)
Trade receivables	(55,078,652)	(4,725,749)
Advances, deposits and other receivables	(2,420,919)	429,855
Due from related parties	3,604,872	(4,781,723)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	13,235,698	(1,287,436)
Due to related parties	60,659,300	(3,224,777)
<b>Cash from/(used in) operations</b>	<b>3,755,335</b>	<b>(84,883,431)</b>
Employees' end of services benefits paid	(172,918)	(88,487)
<b>Net cash from/(used in) operating activities</b>	<b>3,582,417</b>	<b>(84,971,918)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	17,479	50,316
Property, plant and equipment transferred to a related party	92,759	7,019,756
Acquisition of property, plant and equipment	(28,002,559)	(22,180,850)
<b>Net cash (used in) investing activities</b>	<b>(27,892,321)</b>	<b>(15,110,778)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	36,626,294	2,293,563
Shareholder's current account	(12,707,630)	100,911,479
<b>Net cash from financing activities</b>	<b>23,918,664</b>	<b>103,205,042</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(391,240)</b>	<b>3,122,346</b>
Cash and cash equivalents, beginning of the year	3,387,795	265,449
<b>Cash and cash equivalents, end of the year</b>	<b>2,996,555</b>	<b>3,387,795</b>
<b>Represented by:</b>		
Cash in hand	33,535	54,956
Cash at banks	2,963,020	3,332,839
	<b>2,996,555</b>	<b>3,387,795</b>

The accompanying notes form an integral part of these financial statements.

The report of the auditors is set out on pages 4 and 5.

## Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015

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### 1 Legal status and business activities

- 1.1 M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - United Arab Emirates (the "Entity") was registered on August 18, 2010 as a Limited Liability Company and operates in the United Arab Emirates under an industrial license issued by Department of Economic Development, Industrial Development Bureau of the Government of Abu Dhabi, Abu Dhabi - United Arab Emirates.
- 1.2 The principal activities of the Entity are unchanged since the previous year and consist of manufacturing all types of steel pipes and related accessories and pipelines and metal products coating.
- 1.3 The registered address of the Entity is P.O. Box: 132595, Abu Dhabi - United Arab Emirates.
- 1.4 The management and control are vested with the Managing Director, Mr. Sanjay Kumar Aggarwal (Indian national).
- 1.5 These financial statements incorporate the operating results of the Industrial license no. 2018.

### 2 Application of new and revised International Financial Reporting Standards (IFRS)

#### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

Amendments to IAS 27 "Separate Financial Statements": Investment Entities

Amendments to IAS 32 "Financial Instruments : Presentation": Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 36 "Impairment of Assets": Recoverable amount disclosures for Non-Financial Assets

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement": Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IFRS 10 "Consolidated Financial Statements"

Amendments to IFRS 12 "Disclosure of Interests in Other Entities"

IFRIC 21 "Levies"

#### 2.2 New and revised IFRSs in issue but not yet effective

##### New and revised IFRSs

##### Effective for annual periods

##### beginning on or after

Amendments to IAS 19 "Employee Benefits": Employee Contributions.

July 1, 2014

Annual Improvements to IFRS 2010 - 2012 Cycle

July 1, 2014

• IFRS 2 "Share Based Payments": definition of 'vesting condition'.

• IFRS 3 "Business Combinations": accounting for contingent consideration

• "IFRS 8 Operating Segments": aggregation of segments, reconciliation of segment assets.

• IAS 16 "Property, Plant and Equipment": proportionate restatement of accumulated depreciation on revaluation.

**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015

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**2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**2.2 New and revised IFRSs in issue but not yet effective (continued)**

New and revised IFRSs

Effective for annual periods  
beginning on or after

• IAS 24 "Related Party Disclosures": key management personnel services.

• IAS 38 "Intangible Assets": proportionate restatement of accumulated depreciation on revaluation.

Annual Improvements to IFRS 2011 - 2013 Cycle

• IFRS 3 "Business Combinations": scope exception for joint ventures.

• IFRS 13 "Fair Value Measurement": scope of the portfolio exception.

• IAS 40 "Investment Property": interrelationship between IFRS 3 and IAS 40.

Amendments to IAS 27 "Separate Financial Statements" :amended by Equity Method in Separate Financial Statements.

January 1, 2016

Amendments to IFRS 10 "Consolidated Financial Statements": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

January 1, 2016

Amendments to IFRS 11 Joint Arrangements : Accounting for Acquisitions of Interests in Joint Operations.

January 1, 2016

Annual Improvements to IFRS 2012 - 2014 Cycle

January 1, 2016

• IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": changes in methods of disposal.

• IFRS 7 "Financial Instruments: Disclosures": additional guidance on servicing contracts.

• IAS 19 "Employee Benefits": discount rate: regional market issue.

IFRS 15 "Revenue from Contracts with Customers"

January 1, 2017

IFRS 9 "Financial Instruments"

January 1, 2018

Management anticipates that the adoption of above Standards in future years and its interpretations will have no material impact on the financial statements of the Entity in the period of its initial application.

**3 Significant accounting policies**

**3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements are presented in United Arab Emirates Dirhams (AED) which is the Entity's functional and presentation currency.

**3.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets or goods or services.

The principal accounting policies applied in these financial statements are set out below.

**3 Significant accounting policies (continued)**

**3.3 Current/Non current classification**

The Entity presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

Expected to be realised or intended to sold or consumed in normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when it is:

Expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Entity classifies all other liabilities as non-current.

**3.4 Fair value measurement**

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

In the principal market for the asset or liability, or

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

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

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

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

**3.5 Foreign currency**

In preparing the financial statements of Entity, transactions in currencies other than the Entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the year in which they arise:

**3.6 Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and identified impairment loss, if any. The cost comprise of purchase price, together with any incidental expense of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Jindal Saw Gulf (L.L.C.)**

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015

**3 Significant accounting policies (continued)**

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

Depreciation is spread over its useful lives so as to write off the cost of property, plant and equipment, using the straight-line method over its useful lives as follows:

	<u>Years</u>
Building improvement	20
Machinery	20
Moulds	Usage basis
Tools and equipment	5
Furniture, fixtures and equipment	2 - 4
Motor vehicles	5

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

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

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

Capital work in progress

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

**3.7 Impairment of tangible assets**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

## Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015

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### 3 Significant accounting policies (continued)

#### 3.7 Impairment of tangible assets (continued)

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

#### 3.8 Financial instruments

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

#### 3.9 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement' (FVTIS), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "trade and other receivables", "cash and cash equivalents", "due from related parties", "shareholders' loan" and "loan to related parties" in the statement of financial position. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost reduced by appropriate allowance for estimated doubtful debts.

##### Due from related parties

Due from related parties are measured at amortised cost.

**3 Significant accounting policies (continued)**

**3.9 Financial assets (continued)**

Impairment of financial assets

*Assets carried at amortised cost*

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the reversal of the previously recognised impairment loss is recognised in the income statement.

Derecognition of financial assets

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

**3.10 Financial liabilities**

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trades payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

Due to related parties

Amounts due to related parties are stated at amortised cost.

**3 Significant accounting policies (continued)**

**3.10 Financial liabilities (continued)**

Loans and borrowings

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

Derecognition of financial liabilities

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

**3.11 Offsetting financial instruments**

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

**3.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

**3.14 Provisions**

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.15 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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**3 Significant accounting policies (continued)**

**3.15 Revenue recognition (continued)**

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

**3.16 Leasing**

Leases for which the Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

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

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

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

**Critical judgements in applying accounting policies**

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

**Revenue recognition**

Under normal circumstances, in recognising the revenue the management is of the view that in line with the requirement of IAS 18 "Revenue", the risk and reward of ownership is transferred to the buyers of the goods and services and that revenue is reduced for the estimated returns, rebate and other allowances (if any).

**3 Significant accounting policies (continued)**

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

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

*Related parties*

The Management have disclosed the related parties and the related due to and from related parties as per the requirements of IAS 24 “*Related Parties Disclosures*”. In view of due to and from related parties being receivable and payable on demand and the Management intention to realise or pay the related parties as and when necessarily required, the disclosed balances are classified as current assets and current liabilities.

**Key sources of estimation uncertainty**

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

*Allowance for doubtful debts*

Allowances for doubtful debts are determined using a combination of factors to ensure that trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

*Net realisable value of inventories*

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

*Useful lives of property and equipment*

Property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

*Fair value measurement*

For the purpose of fair value disclosures, the Entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Entity uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Entity has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

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**4 Property, plant and equipment**

The gross carrying amounts and accumulated depreciations is shown below:

	<u>Building improvements</u>	<u>Machinery</u>	<u>Tools and equipment</u>	<u>Moulds</u>	<u>Furniture, fixtures and equipment</u>	<u>Motor vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
<b>Cost</b>								
As at March 31, 2013	-	-	-	-	1,011,656	1,470,150	6,690,501	9,172,307
Addition during the year	-	201,615	-	13,327,030	422,440	72,500	8,157,265	22,180,850
Transferred to related parties (note 6)	-	-	-	(826,411)	-	-	(6,193,345)	(7,019,756)
Transfer during the year	8,654,421	-	-	-	-	-	(8,654,421)	-
As at March 31, 2014	8,654,421	201,615	-	12,500,619	1,434,096	1,542,650	-	24,333,401
Addition during the year	823,713	1,809,679	573,000	23,905,748	714,660	83,000	-	27,909,800
Transferred from a related party (note 6)	-	92,759	-	-	-	-	-	92,759
Transferred to a related party (note 6)	-	(92,759)	-	-	-	-	-	(92,759)
Disposal during the year	-	-	-	-	-	(77,800)	-	(77,800)
<b>As at March 31, 2015</b>	<b>9,478,134</b>	<b>2,011,294</b>	<b>573,000</b>	<b>36,406,367</b>	<b>2,148,756</b>	<b>1,547,850</b>	<b>-</b>	<b>52,165,401</b>
<b>Accumulated depreciation</b>								
As at March 31, 2013	-	-	-	-	398,155	357,754	-	755,909
Charge for the year	20,222	856	-	1,022,110	275,451	300,982	-	1,619,621
As at March 31, 2014	20,222	856	-	1,022,110	673,606	658,736	-	2,375,530
Charge for the year	438,256	18,113	6,879	5,724,444	409,469	309,219	-	6,906,380
Eliminated on disposal during the year	-	-	-	-	-	(60,788)	-	(60,788)
<b>As at March 31, 2015</b>	<b>458,478</b>	<b>18,969</b>	<b>6,879</b>	<b>6,746,554</b>	<b>1,083,075</b>	<b>907,167</b>	<b>-</b>	<b>9,221,122</b>
<b>Carrying value as at March 31, 2015</b>	<b>9,019,656</b>	<b>1,992,325</b>	<b>566,121</b>	<b>29,659,813</b>	<b>1,065,681</b>	<b>640,683</b>	<b>-</b>	<b>42,944,279</b>
Carrying value as at March 31, 2014	-	200,759	-	11,478,509	760,490	883,914	-	21,957,871

Notes:

- Building improvements represents office building and factory boundary wall on plot no.11 NR 28 & 12 NR 24 leased from Higher Corporation for Specialised Economic Zones (Zone Corp), located in ICAD III, Abu Dhabi - United Arab Emirates.
- Motor vehicles includes AED 72,500 (2014.: Nil) being cost of 1 (2014: Nil) vehicle hypothecated against finance leases (note 15b).
- Depreciation includes AED 5,724,444 (2014: AED 1,022,110) charged to cost of revenue (note 17).

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	<u>2015</u>	<u>2014</u>
<b>5 Inventories</b>		
Raw materials	70,710,897	63,998,589
Spares and consumables	14,614,597	7,613,234
Work in progress	13,558,786	5,429,210
Finished goods	<u>29,972,452</u>	<u>29,102,697</u>
	<u><u>128,856,732</u></u>	<u><u>106,143,730</u></u>

Inventories were physically verified and were kept in the factory premises at Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates and are hypothecated against credit facilities (note 15).

**6 Related party transactions**

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

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

<b>a) Due from related parties</b>	<u>2015</u>	<u>2014</u>
M/s. Jindal Saw Italia SPA - Italy	-	1,603,753
M/s. Jindal Saw Espana - Spain	1,410,063	-
M/s. Derwant Sand Sarl, Algeria	-	2,707,480
M/s. Super Cement Manufacturing Company (L.L.C.), Abu Dhabi - U.A.E.	-	703,702
	<u><u>1,410,063</u></u>	<u><u>5,014,935</u></u>

<b>b) Due to related parties</b>		
M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.	53,166,937	-
M/s. Jindal Saw Pipe Line Solutions - United Kingdom	830,606	-
M/s. JITF Waterways Limited - India	675,533	-
M/s. Jindal Saw Ltd. - India	<u>6,578,976</u>	<u>592,752</u>
	<u><u>61,252,052</u></u>	<u><u>592,752</u></u>

**c) Transactions with related parties**

The nature of significant related party transactions and the amounts involved were as follows:

	<u>For the year ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest paid (note 21)	<u>8,996,319</u>	<u>8,180,128</u>
Sales	<u><u>20,574,910</u></u>	<u><u>25,641,098</u></u>

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**6 Related party transactions (continued)****c) Transactions with related parties (continued)**

	<b>For the year ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Plant and machinery lease rent* (note 17)	<b>20,000,000</b>	20,575,018
Scrap sales (note 18)	<b>222,786</b>	269,026
Purchases (note 17)	<b>68,033,496</b>	25,962,146
Freight charges paid (note 19)	<b>675,533</b>	-
Purchases of property plant and equipment (note 4)	<b>92,759</b>	559,829
Property, plant and equipment transferred to a related party (note 4)	<b>92,759</b>	7,019,756
* The above represents lease rent charged by a related party (M/s. Jindal Saw Middle East FZC) on factory building, machineries and equipment which is being leased to the Entity.		
The Entity provides/receives funds to/from related parties as and when required as working capital facilities.		
	<b>2015</b>	<b>2014</b>
<b>7 Trade receivables</b>		
Trade receivables: Outside U.A.E.	<b>85,390,010</b>	30,311,358
Of the trade receivables as at March 31, 2015, there are 5 customers (2014: 5 customers) representing 87% (2014: 98%) of the trade receivables.		
<u>Ageing of trade receivables:</u>		
Neither past due nor impaired	<b>85,182,862</b>	30,311,358
<u>Past due but not impaired:</u>		
Due within 6 months	<b>207,148</b>	-
	<b>85,390,010</b>	30,311,358
<b>8 Advances, deposits and other receivables</b>		
Prepayments	<b>1,656,825</b>	1,885,867
Advance paid for land lease	<b>2,487,441</b>	1,760,422
Guarantee deposits	<b>2,497,903</b>	2,355,801
Advances to suppliers	<b>2,441,989</b>	2,533,804
Staff loans and advances	<b>250,863</b>	138,209
Other receivables	<b>1,978,799</b>	218,798
	<b>11,313,820</b>	8,892,901
<b>9 Cash and bank balances</b>		
Cash in hand	<b>33,535</b>	54,956
Cash at banks	<b>2,963,020</b>	3,332,839
	<b>2,996,555</b>	3,387,795

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**10 Share capital**

Authorised, issued and paid up capital of Entity is AED 300,000 divided into 300 fully paid up shares of AED 1,000 each.

The details of the shareholding as at the reporting date are as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No of shares</u>	<u>2015</u>	<u>2014</u>
Mr. Ali Ahmed Saleh Amer Shujaa Al Afifi	U.A.E.	51	153	<b>153,000</b>	153,000
M/s. Jindal Saw Middle East FZC (represented by Mr. Sanjay Kumar Aggarwal)	U.A.E.	49	147	<b>147,000</b>	147,000
		100	300	<b>300,000</b>	300,000
				<b>2015</b>	<b>2014</b>

**11 Accumulated (losses)**

Balance at the beginning of the year	<b>(34,804,515)</b>	(1,605,146)
(Loss) for the year	<b>(1,019,369)</b>	(33,199,369)
Balance at the end of the year	<b>(35,823,884)</b>	(34,804,515)

**12 Shareholder's current account**

Balance at the beginning of the year	<b>192,526,454</b>	91,614,975
Net movements during the year	<b>(12,707,630)</b>	100,911,479
Balance at the end of the year	<b>179,818,824</b>	192,526,454

The balance in the above current account is owed to one of the shareholders, M/s. Jindal Saw Middle East FZC.

**13 Employees' end of service benefits**

Balance at the beginning of the year	<b>1,086,837</b>	680,022
Add: Charge for the year	<b>581,494</b>	495,302
Less: Paid during the year	<b>(172,918)</b>	(88,487)
Balance at the end of the year	<b>1,495,413</b>	1,086,837

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the United Arab Emirates Federal Labour Law based on the employees' accumulated period of service and current basic remuneration at that date.

**Jindal Saw Gulf (L.L.C.)**

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(In Arab Emirates Dirhams)

	<u>2015</u>	<u>2014</u>
<b>14 Trade and other payables</b>		
Trade payables	18,794,490	10,077,440
Trade payable for capital goods	-	388,254
Provisions and accruals	3,014,680	2,575,942
Advances received from customers	1,372,138	365,127
Other payables	3,767,889	306,736
	<u>26,949,197</u>	<u>13,713,499</u>
<b>15 Bank borrowings</b>		
<b>a) Due to banks</b>		
Trust receipts	<u>38,880,346</u>	<u>2,240,709</u>
Bank borrowings are secured by:		
i) Corporate guarantee of M/s. Jindal Saw Middle East FZC.		
ii) Assignment of property all risks insurance policy of M/s. Jindal Saw Middle East FZC and M/s. Jindal Saw Gulf (L.L.C.).		
iii) Commercial mortgage of M/s. Jindal Saw Middle East FZC and M/s. Jindal Saw Gulf (L.L.C.).		
iv) Charge over inventories (note 5).		
v) Charge over trade receivables (note 7).		
<b>b) Vehicle loan</b>		
Balance at the beginning of the year	52,854	-
Add: Addition during the year	-	58,000
Less: Paid during the year	<u>(13,343)</u>	<u>(5,146)</u>
Balance at the end of the year	<u>39,511</u>	<u>52,854</u>
<b>Comprising:</b>		
Current portion	17,004	13,343
Non-current portion	<u>22,507</u>	<u>39,511</u>
	<u>39,511</u>	<u>52,854</u>
Vehicle loan installments are secured by charge over specific assets (note 4).		
<b>Borrowings - short term liabilities</b>		
Due to banks (refer a)	38,880,346	2,240,709
Vehicle loan (refer b)	17,004	13,343
	<u>38,897,350</u>	<u>2,254,052</u>
<b>Borrowings - long term liabilities</b>		
Vehicle loan (refer b)	<u>22,507</u>	<u>39,511</u>

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	<b>For the year ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>16 Revenue</b>		
Sales: Outside U.A.E.	357,064,493	148,198,403
: Within U.A.E.	<u>17,888,521</u>	<u>12,094,621</u>
	<u><b>374,953,014</b></u>	<u><b>160,293,024</b></u>
<b>17 Cost of revenue</b>		
<b>Cost of goods manufactured:</b>		
Opening inventories - raw materials, spares and consumables	71,611,823	49,971,757
Purchases (including direct cost)	259,575,425	132,400,948
Less: Closing inventories - raw materials, spares and consumables	<u>(85,325,494)</u>	<u>(71,611,823)</u>
<b>Raw material consumed</b>	<b>245,861,754</b>	<b>110,760,882</b>
Utilities	16,397,137	9,382,538
Direct labour	27,656,845	22,467,127
Manufacturing overhead	8,500,966	7,334,729
Plant and machinery lease rent (note 6)	20,000,000	20,575,018
Depreciation (note 4)	<u>5,724,444</u>	<u>1,022,110</u>
<b>Manufacturing cost</b>	<b>324,141,146</b>	<b>171,542,404</b>
Opening work-in-progress	5,429,210	6,953,680
Less: Closing work-in-progress	<u>(13,558,786)</u>	<u>(5,429,210)</u>
<b>Cost of goods manufactured</b>	<b>316,011,570</b>	<b>173,066,874</b>
Opening inventories - finished goods	29,102,697	9,059,454
Less: Closing inventories - finished goods	<u>(29,972,452)</u>	<u>(29,102,697)</u>
	<u><b>315,141,815</b></u>	<u><b>153,023,631</b></u>
<b>18 Other income</b>		
Scrap sales (note 6)	482,320	471,589
Foreign exchange gain	-	274,891
Gain on sale of property plant and equipment	467	50,316
Miscellaneous income	<u>637,592</u>	<u>10,571</u>
	<u><b>1,120,379</b></u>	<u><b>807,367</b></u>

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Notes to the financial statements for the year ended March 31, 2015

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	For the year ended March 31,	
	2015	2014
<b>19 Selling and distribution expenses</b>		
Distribution cost	22,175,709	13,476,045
Advertisement and marketing	769,952	447,527
Commission on sales	5,608,934	2,169,482
	<u>28,554,595</u>	<u>16,093,054</u>
<b>20 Administrative expenses</b>		
Salaries and related benefits	6,914,211	5,616,782
Rent	5,592,051	5,060,631
Legal, visa, professional and related expenses	1,441,017	1,551,579
Travelling and conveyance	994,233	445,344
Repairs and maintenance	535,455	437,304
Utilities	507,128	285,206
Telephone and communications	503,144	505,671
Depreciation on property, plant and equipment (note 4)	1,181,936	597,511
Foreign exchange loss	994,903	-
Insurance	820,261	898,377
Others	438,515	434,036
	<u>19,922,854</u>	<u>15,832,441</u>
<b>21 Finance costs</b>		
Interest @	11,523,669	8,377,624
Bank charges	1,949,829	973,010
	<u>13,473,498</u>	<u>9,350,634</u>

@ The above includes AED 8,996,319 (2014: AED 8,180,128) being interest paid to a related party (M/s. Jindal Saw Middle East FZC) for the use of working capital facility (note 6).

**22 Financial instruments**a) *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

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

	As at March 31,		As at March 31,	
	2015	2014	2015	2014
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	85,390,010	30,311,358	85,390,010	30,311,358
Other receivables	4,727,565	2,712,808	4,727,565	2,712,808
Due from related parties	1,410,063	5,014,935	1,410,063	5,014,935
Cash and bank balances	2,996,555	3,387,795	2,996,555	3,387,795
	<b>94,524,193</b>	<b>41,426,896</b>	<b>94,524,193</b>	<b>41,426,896</b>
<i>Financial liabilities</i>				
Bank borrowings	38,919,857	2,293,563	38,919,857	2,293,563
Trade and other payables	25,577,059	13,348,372	25,577,059	13,348,372
Due to related parties	61,252,052	592,752	61,252,052	592,752
	<b>125,748,968</b>	<b>16,234,687</b>	<b>125,748,968</b>	<b>16,234,687</b>

Financial instruments comprise of financial assets and financial liabilities.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

Financial assets consist of cash and bank balances, due from related parties, trade receivables and certain other assets. Financial liabilities consist of bank borrowings, trade payables and provisions, due to related parties and other liabilities.

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

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

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

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

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

**23 Financial risk management objectives**

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

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

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

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

a) *Foreign currency risk management*

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

The Entity does not have any significant exposure to currency risk, as most of its assets and liabilities are denominated in U.A.E. Dirhams and U.S. Dollars to which Dirhams is fixed.

b) *Interest rate risk management*

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

c) *Liquidity risk management*

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

The Entity has access to interest free loans from its shareholders at its disposal to further reduce liquidity risk.

*Liquidity and interest risk tables:*

The table below summarises the maturity profile of the Entity's financial assets and financial liabilities. The contractual maturities of the financial assets and financial liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were as follows:

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**23 Financial risk management objectives (continued)***c) Liquidity risk management (continued)**Liquidity and interest risk tables (continued)*

Particulars	Non Interest bearing						Total
	On demand or less than 3 months	Within 1 year	More than 1 year	On demand or less than 3 months	Within 1 year	More than 1 year	
<b>As at March 31, 2015</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	85,390,010	-	85,390,010
Due from related parties	-	-	-	-	1,410,063	-	1,410,063
Other receivables	-	-	-	-	4,727,565	-	4,727,565
Cash and bank balances	-	-	-	2,996,555	-	-	2,996,555
	-	-	-	2,996,555	91,527,638	-	94,524,193
<b>Financial liabilities</b>							
Bank borrowings	38,880,346	17,004	22,507	-	-	-	38,919,857
Trade and other payables	-	-	-	-	25,577,059	-	25,577,059
Due to related parties	-	-	-	-	61,252,052	-	61,252,052
	38,880,346	17,004	22,507	-	86,829,111	-	125,748,968
<b>As at March 31, 2014</b>							
<b>Financial assets</b>							
Trade receivables	-	-	-	-	30,311,358	-	30,311,358
Due from related parties	-	-	-	-	5,014,935	-	5,014,935
Other receivables	-	-	-	-	2,712,808	-	2,712,808
Cash and bank balances	-	-	-	3,387,795	-	-	3,387,795
	-	-	-	3,387,795	38,039,101	-	41,426,896
<b>Financial liabilities</b>							
Bank borrowings	-	-	-	-	2,254,052	39,511	2,293,563
Trade and other payables	-	-	-	-	13,348,372	-	13,348,372
Due to related parties	-	-	-	-	592,752	-	592,752
	-	-	-	-	16,195,176	39,511	16,234,687

*d) Credit risk management*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties. The Entity's exposure are continuously monitored and their credit exposure is reviewed by the management regularly and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables are discussed in notes 7 & 8 to the financial statements.

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**23 Financial risk management objectives (continued)**d) *Credit risk management (continued)*

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

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

**24 Capital risk management**

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Entity's overall strategy remains unchanged from prior year.

The capital structure of the Entity consists of equity comprising issued capital, and accumulated (losses) as disclosed in the financial statements.

**25 Contingent liabilities**

Letters of credit

Letters of guarantee

<u>As at March 31,</u>	
<u>2015</u>	<u>2014</u>
<b>3,810,249</b>	4,033,253
<b>2,031,737</b>	-

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

**26 Commitments**

## i) Non-cancelable operating lease commitments

Operating lease relates to factory land consist of plot of land (plot no. 11 NR 28 and 12 NR 24) leased from Higher Corporation for Specialized Economic Zones (Zone Corp), Abu Dhabi - United Arab Emirates for a period of 30 years and can be renewed at the discretion of both parties. The lease rental is subject to review after every 3 years. The Entity does not have an option to purchase the leased asset at the expiry of lease period.

	<u>As at March 31,</u>	
	<u>2015</u>	<u>2014</u>
Not longer than 1 year	<b>5,592,050</b>	5,592,050
Longer than 1 year and not longer than 5 years	<b>22,368,200</b>	22,368,200
Longer than 5 years	<b>114,024,142</b>	119,616,192

Except for the above and ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known commitment on Entity's financial statements as of the reporting date.

**27 Comparative amounts**

Certain figures for the previous year were regrouped/reclassified, wherever necessary, to conform to current year's presentation. However, such reclassifications do not have any impact on the previously reported profit or equity.