

**Jindal Saw Holdings FZE  
Fujairah Free Zone  
Fujairah - United Arab Emirates**

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

**Jindal Saw Holdings FZE**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

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**Jindal Saw Holdings FZE**

Fujairah Free Zone

Fujairah - United Arab Emirates

General information

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Principal Office Address : P.O. Box: 5232  
Fujairah Free Zone  
Fujairah - United Arab Emirates  
T: +971 9 2282978  
F: +971 9 2282979

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

The Manager	: Name	Nationality
	Mr. Hitesh Agarwal	Indian

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

The Bank : Bank of Baroda

Ref: JM/AR/15/8238

### Independent auditors' report

To,

The Shareholder  
**M/s. Jindal Saw Holdings FZE**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

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

We have audited the accompanying financial statements of **M/s. Jindal Saw Holdings FZE**, Fujairah Free Zone, Fujairah - United Arab Emirates, (the "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 shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the 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 Holdings FZE**, Fujairah Free Zone, Fujairah - 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 Rules and Regulations framed pursuant to Emiri Decree no. 6 of 1987 issued in Fujairah in respect of creation of Free Zone amended by Emiri Decree no. 1 for the year 1992, 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. 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 Incorporation; which may have materially affected 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 Holdings FZE**

Fujairah Free Zone

Fujairah - 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>			
Investments in subsidiaries	4	109,249,155	126,633,101
<i>Total non-current assets</i>		109,249,155	126,633,101
<i>Current assets</i>			
Due from related parties	5	3,607,776	3,382,534
Advances, deposits and other receivables	6	2,015,656	1,813,025
Cash and bank balance	7	89,247	946,342
<i>Total current assets</i>		5,712,679	6,141,901
<b>Total assets</b>		114,961,834	132,775,002
<b>Equity and liabilities</b>			
<i>Shareholder's equity</i>			
Share capital	8	90,500,000	90,500,000
Accumulated (losses)	9	(10,129,747)	(8,174,337)
Shareholder's current account	10	6,277,900	149,000
<i>Total shareholder's equity</i>		86,648,153	82,474,663
<i>Current liabilities</i>			
Short term loan from a related party	5	28,011,890	50,295,339
Accounts and other payable	11	7,500	5,000
Due to a related party	5	294,291	-
<i>Total current liabilities</i>		28,313,681	50,300,339
<b>Total shareholder's equity and liabilities</b>		114,961,834	132,775,002

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

The report of the auditors is set out on pages 2 and 3.

The financial statements on pages 4 to 24 were approved on May 04, 2015 and signed on behalf of the Entity by:



Manager

**Jindal Saw Holdings FZE**

Fujairah Free Zone

Fujairah - 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>
<b>Expenses</b>			
Administrative expenses	12	<b>(1,956,064)</b>	(601,975)
Other income	13	<b>654</b>	302,355
<b>(Loss) for the year</b>		<b>(1,955,410)</b>	(299,620)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) for the year</b>		<b><u>(1,955,410)</u></b>	<b><u>(299,620)</u></b>

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The report of the auditors is set out on pages 2 and 3.

The financial statements on pages 4 to 24 were approved on May 04, 2015 and signed on behalf of the Entity by:



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**Manager**

**Jindal Saw Holdings FZE**  
 Fujairah Free Zone  
 Fujairah - United Arab Emirates

Statement of changes in shareholder's 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 shareholder's equity</u>
Balance as at April 01, 2013	90,500,000	(7,874,717)	149,000	82,774,283
(Loss) for the year	-	(299,620)	-	(299,620)
Balance as at March 31, 2014	90,500,000	(8,174,337)	149,000	82,474,663
(Loss) for the year	-	(1,955,410)	-	(1,955,410)
Net movements during the year	-	-	6,128,900	6,128,900
<b>Balance as at March 31, 2015</b>	<b>90,500,000</b>	<b>(10,129,747)</b>	<b>6,277,900</b>	<b>86,648,153</b>

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

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**Jindal Saw Holdings FZE**  
Fujairah Free Zone  
Fujairah - 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	(1,955,410)	(299,620)
<i>Adjustments for:</i>		
<b>Operating (loss) before changes in operating assets and liabilities</b>	<u>(1,955,410)</u>	<u>(299,620)</u>
<i>(Increase)/decrease in current assets</i>		
Advances, deposits and other receivables	(202,631)	1,625,111
Due from related parties	(225,242)	(392,284)
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payable	2,500	(2,956)
Due to a related party	294,291	(34,375)
<b>Cash (used in)/generated from operations</b>	<u>(2,086,492)</u>	<u>895,876</u>
<b>Net cash (used in)/from operating activities</b>	<u>(2,086,492)</u>	<u>895,876</u>
<b>Cash flows from investing activities</b>		
Investments in subsidiaries	17,383,946	(8,161,438)
<b>Net cash from/(used in) investing activities</b>	<u>17,383,946</u>	<u>(8,161,438)</u>
<b>Cash flows from financing activities</b>		
Loan from a related party	(22,283,449)	7,637,873
Shareholder's current account	6,128,900	-
<b>Net cash (used in)/from financing activities</b>	<u>(16,154,549)</u>	<u>7,637,873</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(857,095)</u>	<u>372,311</u>
Cash and cash equivalents, beginning of the year	946,342	574,031
<b>Cash and cash equivalents, end of the year</b>	<u><u>89,247</u></u>	<u><u>946,342</u></u>
<b>Represented by:</b>		
Cash in hand	100	100
Cash at bank	89,147	946,242
	<u><u>89,247</u></u>	<u><u>946,342</u></u>

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

The report of the auditors is set out on pages 2 and 3.

## Jindal Saw Holdings FZE

Fujairah Free Zone

Fujairah - 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 Holdings FZE, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on October 19, 2009 as a Free Zone Establishment and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority of the Government of Fujairah, Fujairah - United Arab Emirates.
- 1.2 The principal activities of the Entity are unchanged since the previous year and consist of investment in business such as: company, establishment, joint venture, organization or engaging with other entities carrying on similar business inside or outside U.A.E.
- 1.3 The registered address of the Entity is P.O. Box: 5232, Fujairah Free Zone, Fujairah - United Arab Emirates.
- 1.4 The management and control are vested with the Manager, Mr. Hitesh Agarwal (Indian national).
- 1.5 These separate financial statements incorporate the operating results of the Commercial license no. 2640. The ultimate parent prepares consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements".

### 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

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

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

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

**Jindal Saw Holdings FZE**  
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Notes to the financial statements for the year ended March 31, 2015

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

Annual Improvements to IFRS 2011 - 2013 Cycle July 1, 2014

• 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 and Interpretations in future years will have no material impact on the financial statements of the Entity in the period of 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 presentational 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 on below.

## **Jindal Saw Holdings FZE**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

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### **3 Significant accounting policies (continued)**

#### **3.3 Current/Non current classification**

The Entity presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as 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 by 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 inputs are quoted price (unadjusted) in active market for identical asset or liabilities that the Entity can access at the measurement date,

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and

Level 3 inputs are unobservable inputs for the asset or liability.

#### **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.

## **Jindal Saw Holdings FZE**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

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### **3 Significant accounting policies (continued)**

#### **3.5 Foreign currency (continued)**

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### **3.6 Impairment of tangible assets**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible 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 profit or loss.

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 profit or loss.

#### **3.7 Investments in subsidiary**

The investments in subsidiary is accounted for using cost method as suggested by IAS 39 "Financial Instruments: Recognition and Measurement with an exemption of IAS 27 "Consolidated and Separate Financial Statements" where the Entity has not opted to consolidate its subsidiary.

#### **3.8 Investments in associates**

An associate is a Company over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**3 Significant accounting policies (continued)**

**3.8 Investments in associates (continued)**

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Entity's share of the profit or loss and other comprehensive income of the associate. When the Entity's share of losses of an associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), the Entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the investments acquisition over the Entity's share of the net fair value of the identifiable assets, liabilities and of an associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets, liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Entity's financial statements only to the extent of interests in the associate that are not related to the Entity.

**3.9 Financial instruments**

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

**3.10 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 "advances deposits and other receivables", "cash and cash equivalents", "shareholders' loan" and "loan from/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.

## **Jindal Saw Holdings FZE**

Fujairah Free Zone

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

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### **3 Significant accounting policies (continued)**

#### **3.10 Financial assets (continued)**

##### 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.

##### Accounts and other receivable

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/loan to related parties

Due from/loan to related parties are measured at amortised cost.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories are stated at fair value or cost at the end of each reporting period.

Available-for-sale investments are initially measured at fair value plus transactions costs, if any. After initial recognition, available-for-sale investments are measured at fair value unless fair value is undeterminable.

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost less any identified impairment losses at the end of each reporting period.

Gains and losses arising from the changes in the fair value are recognised directly in the equity in the investments revaluation reserve with the exception of impairment losses.

Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the statement of comprehensive income.

Dividends on AFS equity instruments are recognised in the income statement when the Entity's right to receive the dividends is established.

**Jindal Saw Holdings FZE**

Fujairah Free Zone

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

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**3 Significant accounting policies (continued)**

**3.10 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.

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.

*Assets classified as available for sale*

The Entity assesses at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised profit or loss.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

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.

## **Jindal Saw Holdings FZE**

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

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### **3 Significant accounting policies (continued)**

#### **3.11 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.

##### Accounts and other payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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. Accounts and other payables are recognised initially at fair value and subsequently are measured at amortised cost using effective interest method.

##### Due to/loan from related parties

Amounts due to/loan from related parties are stated at amortised cost.

##### 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.

#### **3.12 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.

#### **3.13 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.

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

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### **3 Significant accounting policies (continued)**

#### **3.14 Revenue recognition (continued)**

##### *Dividend and interest income*

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **3.15 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 on following page.

##### **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.

##### **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.

##### *Valuation of unquoted investments*

Valuation of unquoted equity investments is normally based on one of the following:

- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

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**3 Significant accounting policies (continued)**

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimations. The Entity calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

*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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			<u>2015</u>	<u>2014</u>
<b>4 Investments in subsidiaries</b>				
	<u>Proportion of ownership interest</u>	<u>Proportion of voting power</u>		
a) M/s. Jindal Saw Middle East FZC, Fujairah Free Zone, Fujairah - U.A.E.				
- Investment in share capital	75%	75%	49,500,000	49,500,000
- Additional investment			<u>47,589,603</u>	<u>70,629,305</u>
			<u>97,089,603</u>	<u>120,129,305</u>
b) M/s. Greenray Holding Limited, Leicestershire - United Kingdom				
- Investment in share capital	49%	100%	12,159,552	1,916,296
- Additional investment			-	<u>4,587,500</u>
			<u>12,159,552</u>	<u>6,503,796</u>
<b>Total (a+b)</b>			<u>109,249,155</u>	<u>126,633,101</u>

a) Represents 75% equity interest {750 shares of AED 66,000 each (P.Y.: 750 shares of AED 66,000 each)} and an additional long term investment of capital employed in M/s. Jindal Saw Middle East FZC, Fujairah Free Zone, Fujairah - U.A.E. The principal activities of the subsidiary consists of general trading.

b) Represents 49% equity interest {1,921,559 shares (2014: 132,300 shares)} in M/s. Greenray Holding Limited, Leicestershire - United Kingdom. During the year, the paid up capital of M/s. Greenray Holding Limited was increased to AED 24,815,412 and further 1,789,259 shares were issued to the Entity against additional investment of AED 10,243,256. The remaining 51% equity interest (1,999,991 shares) is held by M/s Jindal Saw Limited - India (the ultimate parent) and the defacto control and power to govern the operating and financial policies of the investee remains with the Entity. The principal activities of the investee is distribution of ductile iron pipes, fittings, waterworks valves, pipe joints and pipe repair products.

The investment in subsidiaries have been separately accounted at cost in these financial statements as an exemption to consolidate in accordance with IFRS 10 ("Consolidated financial statements"). The ultimate parent prepares consolidated financial statements in accordance with IFRS 10.

**5 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.

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	<u>2015</u>	<u>2014</u>
<b>5 Related party transactions (continued)</b>		
<b>a) Due from related parties</b>		
M/s. Jindal Saw Espana S.L - Spain	1,527,870	1,959,271
M/s. Greenray Holding Limited, Leicestershire - United Kingdom	<u>2,079,906</u>	<u>1,423,263</u>
	<u>3,607,776</u>	<u>3,382,534</u>
<b>b) Due to a related party</b>		
M/s. Jindal Saw Pipeline Solutions - United Kingdom	<u>294,291</u>	<u>-</u>
<b>c) Short term loan from a related party</b>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.	<u>28,011,890</u>	<u>50,295,339</u>
<b>d) Transactions with related parties</b>		
The nature of significant related party transactions and the amounts involved were as follows:		
	<b>For the year ended March 31,</b>	
	<u>2015</u>	<u>2014</u>
Interest charges	<u>113,116</u>	<u>-</u>
Interest received	<u>113,770</u>	<u>-</u>
The Entity provides/ receives funds to/from related parties for working capital purposes support as and when required.		
<b>6 Advances, deposits and other receivables</b>		
Prepayments	56,250	55,500
Other advances	1,892,406	1,690,525
Guarantee deposits	<u>67,000</u>	<u>67,000</u>
	<u>2,015,656</u>	<u>1,813,025</u>
<b>7 Cash and bank balance</b>		
Cash in hand	100	100
Cash at bank	<u>89,147</u>	<u>946,242</u>
	<u>89,247</u>	<u>946,342</u>

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**8 Share capital**

Authorised, issued and paid up capital of Entity is AED 90,500,000 (2014: 90,500,000) divided into 1,000 fully paid up shares of AED 90,500 (2014: 90,500) each.

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

<u>Name of Shareholder</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No of shares</u>	<u>2015</u>	<u>2014</u>
M/s. Jindal Saw Ltd {Represented by Mr. Hitesh Agarwal (Indian national)}	India	100	1,000	90,500,000	90,500,000
				<u>2015</u>	<u>2014</u>

**9 Accumulated (losses)**

Balance at the beginning of the year	(8,174,337)	(7,874,717)
(Loss) for the year	<u>(1,955,410)</u>	<u>(299,620)</u>
Balance at the end of the year	<u>(10,129,747)</u>	<u>(8,174,337)</u>

**10 Shareholder's current account**

Balance at the beginning of the year	149,000	149,000
Net movements during the year	<u>6,128,900</u>	-
Balance at the end of the year	<u>6,277,900</u>	<u>149,000</u>

The above current account is owed to the shareholder, M/s. Jindal Saw Ltd. - India.

**11 Accounts and other payable**

Accruals	<u>7,500</u>	<u>5,000</u>
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**For the year ended March 31,**

	<u>2015</u>	<u>2014</u>
<b>12 Administrative expenses</b>		
Salaries and benefits	854,654	-
Legal, visa, professional and related expenses	247,718	574,326
Travelling and conveyance	332,713	-
Rent	22,000	22,000
Miscellaneous	46,119	5,649
Bank charges	5,044	-
Foreign exchange loss	447,816	-
	<u>1,956,064</u>	<u>601,975</u>
<b>13 Other income</b>		
Foreign exchange gain	-	141,572
Other income	654	160,783
	<u>654</u>	<u>302,355</u>

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**14 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.

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

	<u>As at March 31,</u>		<u>As at March 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>Carrying value</u>		<u>Fair value</u>	
<i>Financial assets</i>				
Due from related parties	3,607,776	3,382,534	3,607,776	3,382,534
Other receivables	67,000	67,000	67,000	67,000
Cash and bank balance	89,247	946,342	89,247	946,342
	<u>3,764,023</u>	<u>4,395,876</u>	<u>3,764,023</u>	<u>4,395,876</u>
<i>Financial liabilities</i>				
Short term loan from a related party	28,011,890	50,295,339	28,011,890	50,295,339
Accounts and other payable	7,500	5,000	7,500	5,000
Due to a related party	294,291	-	294,291	-
	<u>28,313,681</u>	<u>50,300,339</u>	<u>28,313,681</u>	<u>50,300,339</u>

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of due from related parties, other receivables and cash and bank balances. Financial liabilities consist of short term loan from related party, accounts and other payable, and due to a related party.

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 knowledgeable willing parties.

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:

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 March 31, 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values

The fair value of other financial liabilities 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.

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**15 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.

a) *Foreign currency risk management*

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

There are no significant exchange rate risks, as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or U.S. Dollars to which the Arab Emirates Dirhams is fixed.

b) *Interest rate risk management*

As at the reporting date, there is no significant interest rate risk as there are no interest bearing borrowings at year end.

c) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rest 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 shareholder 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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**15 Financial risk management objectives (continued)**

c) *Liquidity risk management (continued)*

*Liquidity and interest risk tables (continued)*

Particulars	Interest bearing			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>							
Due from related parties	-	-	-	-	3,607,776	-	3,607,776
Other receivables	-	-	-	-	-	67,000	67,000
Cash and bank balance	-	-	-	89,247	-	-	89,247
	-	-	-	89,247	3,607,776	67,000	3,764,023
<b>Financial liabilities</b>							
Short term loan from a related party	-	28,011,890	-	-	-	-	28,011,890
Accounts and other payable	-	-	-	-	7,500	-	7,500
Due to a related party	-	-	-	-	294,291	-	294,291
	-	28,011,890	-	-	301,791	-	28,313,681
<b>As at March 31, 2014</b>							
<b>Financial assets</b>							
Due from related parties	-	-	-	-	-	3,382,534	3,382,534
Other receivables	-	-	-	-	-	67,000	67,000
Cash and bank balance	-	-	-	946,342	-	-	946,342
	-	-	-	946,342	-	3,449,534	4,395,876
<b>Financial liabilities</b>							
Short term loan from a related party	-	-	-	-	50,295,339	-	50,295,339
Accounts and other payable	-	-	-	-	5,000	-	5,000
	-	-	-	-	50,300,339	-	50,300,339

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 credit exposure is continuously monitored and regularly reviewed and by the management.

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

d) *Credit risk management (continued)*

Details of credit risks on other receivables are discussed in note 6 to the financial statements.

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.

**16 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, accumulated losses and shareholder's current account as disclosed in the financial statements.

**17 Contingent liabilities**

Except for the 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.

**18 Commitments**

Except for the 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.

**19 Comparative amounts**

Certain amounts for the prior year were reclassified to conform to current year's presentation. However, such reclassifications do not have any impact on the previously reported financial result or equity.