

**Jindal Saw Middle East FZC  
Fujairah Free Zone  
Fujairah - United Arab Emirates**

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

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Table of contents

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	<u>Pages</u>
General information	1
Independent auditors' report	2 & 3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in shareholders' equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 30

**Jindal Saw Middle East FZC**  
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 Directors	: Name	Nationality
	Mr. Sanjay Kumar Aggarwal	Indian
	Mr. Hitesh Agarwal	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

Ref: JM/AR/15/8237

### Independent auditors' report

To,

The Shareholders  
**M/s. Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

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

We have audited the accompanying financial statements of **M/s. Jindal Saw Middle East FZC**, 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 shareholders' 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 Middle East FZC**, 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 A physical count of inventories was carried out by the management in accordance with established principles.
- 4 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 material effect 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 Middle East FZC**

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>			
Property, plant and equipment	4	313,590,459	330,223,908
Investment in a subsidiary	5	179,965,824	192,673,454
<i>Total non current assets</i>		493,556,283	522,897,362
<i>Current assets</i>			
Inventories	6	1,147,675	-
Due from a related party	14	53,166,937	-
Advances, deposits and other receivables	7	17,955,102	194,130
Cash and bank balances	8	749,786	2,270,335
<i>Total current assets</i>		73,019,500	2,464,465
<b>Total assets</b>		566,575,783	525,361,827
<b>Equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	9	66,000,000	66,000,000
Accumulated (losses)	10	(29,563,576)	(15,817,863)
Shareholders' current account	11	57,734,042	80,773,744
<i>Total shareholders' equity</i>		94,170,466	130,955,881
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	12	210,975,340	139,597,607
<i>Total non-current liabilities</i>		210,975,340	139,597,607
<i>Current liabilities</i>			
Bank borrowings	12	163,989,707	168,934,675
Loan from a related party	14	71,645,538	68,233,846
Accounts and other payables	13	18,467,899	13,208,545
Due to a related party	14	7,326,833	4,431,273
<i>Total current liabilities</i>		261,429,977	254,808,339
<b>Total liabilities</b>		472,405,317	394,405,946
<b>Total shareholders' equity and liabilities</b>		566,575,783	525,361,827

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 30 were approved on May 04, 2015 and signed on behalf of the Entity by:

  
Mr. Sanjay Kumar Aggarwal  
Director

  
Mr. Hitesh Agarwal  
Director

**Jindal Saw Middle East FZC**  
 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)

	Notes	2015	2014
Revenue	15	53,166,937	-
Cost of revenue	16	(52,130,814)	-
<b>Gross profit</b>		<b>1,036,123</b>	<b>-</b>
Lease rental income - net	17	32,645	1,870,457
Other income	18	82,382	-
Administrative expenses	19	(573,335)	(491,538)
Finance costs	20	(14,323,528)	(12,713,811)
<b>(Loss) for the year</b>		<b>(13,745,713)</b>	<b>(11,334,892)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(13,745,713)</b>	<b>(11,334,892)</b>

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

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The financial statements on pages 4 to 30 were approved on May 04, 2015 and signed on behalf of the Entity by:

  
 \_\_\_\_\_  
**Mr. Sanjay Kumar Aggarwal**  
 Director

  
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**Mr. Hitesh Agarwal**  
 Director

**Jindal Saw Middle East FZC**  
 Fujairah Free Zone  
 Fujairah - 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>Shareholders' current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2013	66,000,000	(4,482,971)	77,199,806	138,716,835
(Loss) for the year		(11,334,892)	-	(11,334,892)
Net movements during the year	-	-	3,573,938	3,573,938
Balance as at March 31, 2014	66,000,000	(15,817,863)	80,773,744	130,955,881
(Loss) for the year	-	(13,745,713)	-	(13,745,713)
Net movements during the year	-	-	(23,039,702)	(23,039,702)
<b>Balance as at March 31, 2015</b>	<b>66,000,000</b>	<b>(29,563,576)</b>	<b>57,734,042</b>	<b>94,170,466</b>

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 Middle East FZC**  
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	(13,745,713)	(11,334,892)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	19,967,355	18,704,561
Loss on disposal of property plant and equipment	23,127	155,946
<b>Operating profit before changes in operating assets and liabilities</b>	<u>6,244,769</u>	<u>7,525,615</u>
<i>(Increase)/decrease in current assets</i>		
Inventories	(1,147,675)	-
Advances, deposits and other receivables	(17,760,972)	2,371,037
Due from a related party	(53,166,937)	-
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payables	5,259,354	(627,411)
Due to a related party	2,895,560	1,965,045
<b>Net cash (used in)/from operations</b>	<u>(57,675,901)</u>	<u>11,234,286</u>
<b>Cash flows from investing activities</b>		
Investment in a subsidiary	12,707,630	(100,911,479)
Proceeds from sale of property, plant and equipment <sup>1</sup>	207,759	124,781
Acquisition of property plant and equipment	(3,564,792)	(22,008,194)
<b>Net cash from/(used in) investing activities</b>	<u>9,350,597</u>	<u>(122,794,892)</u>
<b>Cash flows from financing activities</b>		
Proceeds from term loans	15,299,111	362,245
Loan from a related party	3,411,692	49,558,071
Proceeds from bank borrowings	51,133,654	57,680,902
Shareholders' current account	(23,039,702)	3,573,938
<b>Net cash from financing activities</b>	<u>46,804,755</u>	<u>111,175,156</u>
<b>Net (decrease) in cash and cash equivalents</b>	<u>(1,520,549)</u>	<u>(385,450)</u>
Cash and cash equivalents, beginning of the year	<u>2,270,335</u>	<u>2,655,785</u>
<b>Cash and cash equivalents, end of the year</b>	<u><u>749,786</u></u>	<u><u>2,270,335</u></u>
<b>Represented by:</b>		
Cash in hand	2,340	-
Cash at banks	747,446	2,270,335
	<u><u>749,786</u></u>	<u><u>2,270,335</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 Middle East FZC

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 Middle East FZC, Fujairah Free Zone, Fujairah - United Arab Emirates (the "Entity") was registered on October 19, 2009 as a Free Zone Company with Limited Liability and operates in the United Arab Emirates under a commercial license issued by the Fujairah Free Zone Authority, Government of Fujairah, Fujairah - United Arab Emirates.
- 1.2 The principal activities of the Entity consist of general trading.
- 1.3 The registered address of the Entity is P.O. Box: 5232, Fujairah - United Arab Emirates.
- 1.4 The management and control are vested with the Directors, Mr. Hitesh Agarwal and Mr. Sanjay Kumar Aggarwal (Both are Indian nationals).
- 1.5 These separate financial statements incorporate the operating results of the Commercial license no. 2641. The Entity also prepares consolidated financial statements in accordance to IFRS 10.
- 1.6 On December 08, 2014, Mr. Sanjay Kumar Aggarwal transferred his entire 25% equity interest (250 shares) to M/s. Sathi Holding Limited.

### 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.

**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)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> <li>• IAS 16 "Property, Plant and Equipment": proportionate restatement of accumulated depreciation on revaluation.</li> <li>• IAS 24 "Related Party Disclosures": key management personnel services.</li> <li>• IAS 38 "Intangible Assets": proportionate restatement of accumulated depreciation on revaluation.</li> </ul>	July 1, 2014
Annual Improvements to IFRS 2011 - 2013 Cycle	July 1, 2014
<ul style="list-style-type: none"> <li>• IFRS 3 "Business Combinations": scope exception for joint ventures.</li> <li>• IFRS 13 "Fair Value Measurement": scope of the portfolio exception.</li> <li>• IAS 40 "Investment Property": interrelationship between IFRS 3 and IAS 40.</li> </ul>	
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
<ul style="list-style-type: none"> <li>• IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": changes in methods of disposal.</li> <li>• IFRS 7 "Financial Instruments: Disclosures": additional guidance on servicing contracts.</li> <li>• IAS 19 "Employee Benefits": discount rate: regional market issue.</li> </ul>	
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 Significant accounting policies (continued)**

#### **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.

#### **3.3 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 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.

**Jindal Saw Middle East FZC**

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**

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:

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 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 profit or loss during the financial period in which they are incurred.

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 and improvements	20
Plant and machinery	20
Tools and equipment	10 - 20
Moulds	Usage basis
Electrical installation	20

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 profit or loss.

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.

## **Jindal Saw Middle East FZC**

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)**

#### **3.7 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 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.

#### **3.8 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.

#### **3.9 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.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

**3 Significant accounting policies (continued)**

**3.10 Financial assets (continued)**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Entity commits to purchase or sell the asset. Transaction costs directly attributable to the acquisition are recognised immediately in profit or loss.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through income statement’ category are presented in profit or loss.

Dividend income from financial assets at fair value through income statement is recognised in the income statement when the Entity’s right to receive payments is established.

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” and “cash and cash equivalents” 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/loan to related parties

Due from/loans /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.

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.

**3 Significant accounting policies (continued)**

**3.10 Financial assets (continued)**

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.

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, default, the probability that they will enter bankruptcy, 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 (such as an improvement in the debtor's credit rating), 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. (For debt securities, the group uses the criteria referred to in above).

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.

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

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

Impairment losses recognised in the profit or loss 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 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.

#### **3.11 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.

##### 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/loan from related parties

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

##### Loans and other borrowings

Loans and other 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.

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 Significant accounting policies (continued)

#### 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 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.

#### 3.14 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.

#### 3.15 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.

#### 3.16 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.

##### 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.

**Jindal Saw Middle East FZC**

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)**

**3.16 Revenue recognition (continued)**

*Rental income*

The Entity's policy for recognition of revenue from operating lease as rental income which is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**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 are 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 an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods 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**

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).

**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.

*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.

**Jindal Saw Middle East FZC**  
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)**

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

**Key sources of estimation uncertainty (continued)**

*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.

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

**4 Property, plant and equipment**

The gross carrying amounts and accumulated depreciations is shown below:

<b>Cost</b>	<b>Building and improvements</b>	<b>Plant and machinery</b>	<b>Tools and equipment</b>	<b>Moulds</b>	<b>Electrical installation</b>	<b>Capital work in progress</b>	<b>Total</b>
As at March 31, 2013	38,041,894	199,347,469	13,981,065	15,048,907	64,313,629	10,851	330,743,815
Additions during the year	72,951	2,696,159	-	1,061,868	-	11,983,871	15,814,849
Transferred from related party	-	-	-	-	-	6,193,345	6,193,345
Disposal during the year	-	-	-	(463,307)	-	-	(463,307)
As at March 31, 2014	38,114,845	202,043,628	13,981,065	15,647,468	64,313,629	18,188,067	352,288,702
Additions during the year	-	-	-	-	1,970,709	1,042,775	3,013,484
Transferred from a related party (note 14)	-	144,506	-	-	-	406,802	551,308
Transferred during the year	-	19,230,842	-	-	-	(19,230,842)	-
Transferred to a related party (note 14)	-	(92,759)	-	-	-	-	(92,759)
Disposal during the year	-	(164,498)	-	-	-	-	(164,498)
<b>As at March 31, 2015</b>	<b>38,114,845</b>	<b>221,161,719</b>	<b>13,981,065</b>	<b>15,647,468</b>	<b>66,284,338</b>	<b>406,802</b>	<b>355,596,237</b>
<b>Accumulated depreciation</b>							
As at March 31, 2013	166,759	873,852	101,465	2,118,814	281,923	-	3,542,813
Charge for the year	1,902,404	10,024,490	1,157,338	2,404,648	3,215,681	-	18,704,561
Eliminated on disposal during the year	-	-	-	(182,580)	-	-	(182,580)
As at March 31, 2014	2,069,163	10,898,342	1,258,803	4,340,882	3,497,604	-	22,064,794
Charge for the year	1,905,742	10,146,255	1,157,338	3,540,329	3,217,691	-	19,967,355
Transferred to a related party (note 14)	-	(9,353)	-	-	-	-	(9,353)
Eliminated on disposal during the year	-	(17,018)	-	-	-	-	(17,018)
<b>As at March 31, 2015</b>	<b>3,974,905</b>	<b>21,018,226</b>	<b>2,416,141</b>	<b>7,881,211</b>	<b>6,715,295</b>	<b>-</b>	<b>42,005,778</b>
<b>Carrying value as at March 31, 2015</b>	<b>34,139,940</b>	<b>200,143,493</b>	<b>11,564,924</b>	<b>7,766,257</b>	<b>59,569,043</b>	<b>406,802</b>	<b>313,590,459</b>
Carrying value as at March 31, 2014	36,045,682	191,145,286	12,722,262	11,306,586	60,816,025	18,188,067	330,223,908

**Notes:-**

- Building and improvements represent a factory constructed on plot no. 11 NR 28, Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates. The said plot is leased by a related party (M/s. Jindal Saw Gulf (L.L.C.) Abu Dhabi - United Arab Emirates from Higher Corporation for Specialised Economic Zones (Corp Zone), Abu Dhabi - United Arab Emirates.
- The above property, plant and equipments are leased by the Entity to a related party (M/s. Jindal Saw Gulf (L.L.C.) Abu Dhabi - United Arab Emirates (note 17).
- Plant and machinery are mortgaged to banks against credit facilities (note 12).
- Depreciation AED 19,967,355 (2013: 18,704,561) charged to lease rental income (note 17)

**Jindal Saw Middle East FZC**  
 Fujairah Free Zone  
 Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
 (In Arab Emirates Dirhams)

			<u>2015</u>	<u>2014</u>
<b>5 Investment in a subsidiary</b>				
	<u>Proportion of ownership interest</u>	<u>Proportion of voting power</u>		
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E				
- Investment in share capital	49%	49%	147,000	147,000
- Additional investment			<u>179,818,824</u>	<u>192,526,454</u>
			<u>179,965,824</u>	<u>192,673,454</u>

Investment in subsidiary represents 49% equity interest (147 shares of AED 1,000 each) and an additional long term investment in capital employed of M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. The principal activities of the subsidiary consist of manufacturing all types of steel pipes and related accessories and pipelines and metal products coating.

Though the Entity holds 49% equity interests, it has power to govern the investee Entity as remaining 51% shares are held by a local sponsor for and on behalf of the Entity and thus it's considered as a 100% subsidiary.

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 Entity also prepares consolidated financial statements in accordance with IFRS 10.

**6 Inventories**

Stores and spares	<u>1,147,675</u>	<u>-</u>
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The above inventories, lying in the factory premises at Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates and hypothecated against credit facilities granted by banks (note 12).

**7 Advances, deposits and other receivables**

Prepayments	9,904,730	12,000
Margin deposit *	6,235,330	-
Other deposits	5,000	5,000
Advances to suppliers	1,695,042	162,130
Other receivables	<u>115,000</u>	<u>15,000</u>
	<u>17,955,102</u>	<u>194,130</u>

\* Margin deposit is given on behalf of a related party to a bank for issuance of performance guarantee.

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

	<u>2015</u>	<u>2014</u>
<b>8 Cash and bank balances</b>		
Cash in hand	2,340	-
Cash at banks	747,446	2,270,335
	<u>749,786</u>	<u>2,270,335</u>

**9 Share capital**

Authorised, issued and paid up capital of the Entity is AED 66,000,000, divided into 1,000 fully paid up shares of AED 66,000 each.

On December 08, 2014, Mr. Sanjay Kumar Aggarwal transferred his entire 25% equity interest (250 shares) to M/s. Sathi Holding Limited [note1 (1.6)].

The details of the revised shareholding as at March 31, 2015 are as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2015</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Hitesh Agarwal)	U.A.E.	75	750	49,500,000
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	U.A.E.	25	250	16,500,000
		100	1,000	<u>66,000,000</u>

The details of the shareholding as at March 31, 2014 was as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No of shares</u>	<u>2014</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Hitesh Agarwal)	U.A.E.	75	750	49,500,000
Mr. Sanjay Kumar Aggarwal	Indian	25	250	16,500,000
		100	1,000	<u>66,000,000</u>

**10 Accumulated (losses)**

Balance at the beginning of the year	(15,817,863)	(4,482,971)
(Loss) for the year	<u>(13,745,713)</u>	<u>(11,334,892)</u>
Balance at the end of the year	<u>(29,563,576)</u>	<u>(15,817,863)</u>

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

	<u>2015</u>	<u>2014</u>
<b>11 Shareholders' current account</b>		
Balance at the beginning of the year	80,773,744	77,199,806
Net movements during the year	<u>(23,039,702)</u>	<u>3,573,938</u>
Balance at the end of the year	<u><u>57,734,042</u></u>	<u><u>80,773,744</u></u>

Balance in the above account is subordinated against facilities (note 12).

*Breakup of Shareholders' current account:*

<u>Name of Shareholders'</u>	<u>As at Mar 31, 2014</u>	<u>Net movements</u>	<u>As at Mar 31, 2015</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Hitesh Agarwal)	70,629,305	(23,039,702)	47,589,603
Mr. Sanjay Kumar Aggarwal	10,144,439	(10,144,439)	-
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	-	10,144,439	10,144,439
	<u>80,773,744</u>	<u>(23,039,702)</u>	<u>57,734,042</u>
		<u>2015</u>	<u>2014</u>

**12 Bank borrowings**

**a) Due to banks**

Bank overdrafts	26,641,776	4,030,610
Short term loans *	83,258,043	74,294,288
Trust receipts	<u>54,089,888</u>	<u>34,531,155</u>
	<u><u>163,989,707</u></u>	<u><u>112,856,053</u></u>

\*The above short term loans were obtained to part finance the working capital requirements and are repayable within six months from the date of withdrawal.

Bank borrowings are secured by:

- i) Corporate guarantee from M/s. Jindal Saw Limited - India and M/s. Jindal Saw Gulf (L.L.C.).
- ii) Assignment of all risks insurance policy of M/s. Jindal Saw Middle East FZC and M/s. Jindal Saw Gulf (L.L.C.).
- iii) First and second charge over the inventories (note 6).
- iv) Assignment of receivable.
- v) Commercial mortgage of M/s. Jindal Saw Middle East FZC and M/s. Jindal Saw Gulf (L.L.C.).
- vi) Negative pledge over 49% equity interest in M/s. Jindal Saw Gulf (L.L.C.) held by M/s. Jindal Saw Middle East FZC.

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

**12 Bank borrowings (continued)**

- vii) Pledge over 75% equity shares in M/s. Jindal Saw Middle East FZC held by M/s. Jindal Saw Holdings FZE.
- viii) Subordination of shareholders' current account (note 11).
- ix) Subordination of loan from a related party, M/s. Sathi International FZE (note 14).

<b>b) Term loans</b>	<b>2015</b>	<b>2014</b>
Balance at the beginning of the year	<b>195,676,229</b>	195,313,984
Addition during the year	<b>28,977,394</b>	73,315,220
Less: Paid during the year	<b>(13,678,283)</b>	(72,952,975)
Balance at the end of the year	<b>210,975,340</b>	195,676,229
<b>Comprising:</b>		
Current portion	-	56,078,622
Non-current portion	<b>210,975,340</b>	139,597,607
	<b>210,975,340</b>	195,676,229

*Term loans consists of:*

**Term loan 1**

Refinanced existing term loans (2, 3 & 4)	<b>181,997,946</b>	-
Received during the year	<b>28,977,394</b>	-
Balance at the end of the year	<b>210,975,340</b>	-

During the year, the Entity entered into an agreement with few financial institutions to refinance the existing term loans for financing working capital and capital expenditure. The above loan carries interest @ six month EIBOR + 3.25% per annum and is repayable in 10 equal half yearly installments commencing from May 04, 2016.

**Term loan 2**

Balance at the beginning of the year	<b>49,433,243</b>	82,390,493
Addition during the year	-	17,315,220
Less: Paid during the year	<b>(5,939,750)</b>	(5,957,250)
Less: Refinanced through term loan 1	<b>(43,493,493)</b>	-
Less: Refinanced through term loan 4	-	(44,315,220)
Balance at the end of the year	<b>-</b>	49,433,243

The above term loan was obtained to finance the purchase of property, plant and equipment. During the year, the said term loan was refinanced through term loan 1.

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

	<u>2015</u>	<u>2014</u>
<b>12 Bank borrowings (continued)</b>		
<b>Term loan 3</b>		
Balance at the beginning of the year	100,742,986	112,923,491
Less: Paid during the year	(4,238,533)	(12,180,505)
Less: Refinanced through term loan 1	<u>(96,504,453)</u>	<u>-</u>
Balance at the end of the year	<u><u>-</u></u>	<u><u>100,742,986</u></u>
The above represents "Morabaha" obtained under Islamic Finance for the purchase of property, plant and equipment. During the year, the said term loan was refinanced through term loan 1.		
<b>Term loan 4</b>		
Balance at the beginning of the year	45,500,000	-
Less: Refinanced term loan 2	-	44,315,220
Addition during the year	-	11,684,780
Less: Paid during the year	(3,500,000)	(10,500,000)
Less: Refinanced through term loan 1	<u>(42,000,000)</u>	<u>-</u>
Balance at the end of the year	<u><u>-</u></u>	<u><u>45,500,000</u></u>
The above term loan was obtained for the purchase of property, plant and equipment. During the year, the said term loan was refinanced through term loan 1.		
<b>Borrowings - short term liabilities</b>		
Due to banks (refer a)	163,989,707	112,856,053
Term loans (refer b)	<u>-</u>	<u>56,078,622</u>
	<u><u>163,989,707</u></u>	<u><u>168,934,675</u></u>
<b>Borrowings - long term liabilities</b>		
Term loans (refer b)	<u><u>210,975,340</u></u>	<u><u>139,597,607</u></u>
<b>13 Accounts and other payables</b>		
Accounts payable for capital goods	14,101,606	11,639,719
Provisions and accruals	<u>4,366,293</u>	<u>1,568,826</u>
	<u><u>18,467,899</u></u>	<u><u>13,208,545</u></u>

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

(In Arab Emirates Dirhams)

**14 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.

	<u>2015</u>	<u>2014</u>
<b>a) Due from a related party</b>		
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.	<u>53,166,937</u>	<u>-</u>
<b>b) Due to a related party</b>		
M/s. Jindal Saw Limited - India	6,920,031	4,431,273
M/s. Jindal Saw Italia SPA- Italy	<u>406,802</u>	<u>-</u>
	<u>7,326,833</u>	<u>4,431,273</u>
<b>c) Loan from a related party</b>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.*	<u>71,645,538</u>	<u>68,233,846</u>

\*The above balance is subordinated against credit facilities (note 12).

**d) 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>
Sales	<u>53,166,937</u>	<u>-</u>
Interest paid to related parties (note 20)	<u>2,547,004</u>	<u>1,965,045</u>
Rental income (note 17)	<u>20,000,000</u>	<u>20,575,018</u>
Property plant and equipment transferred to a related party - net (note 4)	<u>83,406</u>	<u>-</u>
Purchase of property, plant and equipment (note 4)	<u>551,308</u>	<u>6,193,345</u>
Interest charges recovered from a related party (note 20)	<u>8,996,319</u>	<u>8,180,128</u>

The Entity provides/receives funds to/from related parties as and when required as working capital facilities.

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

	<b>For the year ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>15 Revenue</b>		
Sales : Within U.A.E.	<u><b>53,166,937</b></u>	<u>-</u>
<b>16 Cost of revenue</b>		
Purchases (including direct cost)	<b>53,278,489</b>	-
Less: Inventories at the end of the year (note 6)	<u><b>(1,147,675)</b></u>	<u>-</u>
	<u><b>52,130,814</b></u>	<u>-</u>
<b>17 Lease rental income - net</b>		
Lease rental income*	<b>20,000,000</b>	20,575,018
Less: Depreciation on property, plant and equipment (note 4)	<u><b>(19,967,355)</b></u>	<u>(18,704,561)</u>
	<u><b>32,645</b></u>	<u>1,870,457</u>
*The above lease rentals are charged to a related party, M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. for lease of property, plant and equipments (note 4).		
<b>18 Other income</b>		
Other income	<u><b>82,382</b></u>	<u>-</u>
<b>19 Administrative expenses</b>		
Rent	<b>13,500</b>	13,500
Legal and professional expenses	<b>51,209</b>	22,500
Repair and maintenance	<b>234,689</b>	198,388
Loss on sale of property, plant and equipment	<b>23,127</b>	155,946
Foreign exchange loss (net)	<b>250,810</b>	100,204
Other expenses	<u>-</u>	<u>1,000</u>
	<u><b>573,335</b></u>	<u>491,538</u>
<b>20 Finance costs*</b>		
Interest on term loans	<b>10,171,650</b>	10,414,953
Interest paid to related parties (note 14)	<b>2,547,004</b>	1,965,045
Bank and finance charges	<u><b>1,604,874</b></u>	<u>333,813</u>
	<u><b>14,323,528</b></u>	<u>12,713,811</u>

\* The above finance costs are net of interest expenses amounting to AED 8,996,319 (2014: AED 8,180,128) being interest recovered from M/s. Jindal Saw Gulf (L.L.C.) for the use of working capital facilities (note 14).

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

(In Arab Emirates Dirhams)

**21 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.*

	As at March 31,		As at March 31,	
	2015	2014	2015	2014
	Carrying Value		Fair value	
<i>Financial assets</i>				
Other receivables	6,355,330	20,000	6,355,330	20,000
Due from a related party	53,166,937	-	53,166,937	-
Cash and bank balances	749,786	2,270,335	749,786	2,270,335
	<u>60,272,053</u>	<u>2,290,335</u>	<u>60,272,053</u>	<u>2,290,335</u>
<i>Financial liabilities</i>				
Bank borrowings	374,965,047	308,532,282	374,965,047	308,532,282
Accounts and other payables	18,467,899	13,208,545	18,467,899	13,208,545
Due to a related party	7,326,833	4,431,273	7,326,833	4,431,273
Loan from a related party	71,645,538	68,233,846	71,645,538	68,233,846
	<u>472,405,317</u>	<u>394,405,946</u>	<u>472,405,317</u>	<u>394,405,946</u>

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 a related party and certain other assets. Financial liabilities consist of accounts and other payables, bank borrowings, due to a related party, loan from a related party and certain other liabilities.

As at reporting date financial assets and financial liabilities are approximates 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, 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.

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

(In Arab Emirates Dirhams)

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**22 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.

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.

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 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 year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

*Interest rate sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used for reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Entity's financial result for the year then ended would (decrease)/increase by AED 1,874,825 (2014: (decrease)/increase by AED 1,542,661).

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.

**Jindal Saw Middle East FZC**  
Fujairah Free Zone  
Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2015  
(In Arab Emirates Dirhams)

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

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables

The table below summarises the maturity profile of the Entity's financial assets. The contractual maturities of the financial assets have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity were maintained. The maturity profile of the assets and liabilities at the financial position date based on contractual repayment arrangements were also show below:

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>							
Other receivables	-	-	-	-	6,350,330	5,000	6,355,330
Due from a related party	-	-	-	-	53,166,937	-	53,166,937
Cash and bank balances	-	-	-	749,786	-	-	749,786
	-	-	-	749,786	59,517,267	5,000	60,272,053
<b>Financial liabilities</b>							
Bank borrowings	80,731,664	83,258,043	210,975,340	-	-	-	374,965,047
Accounts and other payables	-	-	-	-	18,467,899	-	18,467,899
Due to a related party	-	-	-	-	7,326,833	-	7,326,833
Loans from a related party	-	71,645,538	-	-	-	-	71,645,538
	80,731,664	154,903,581	210,975,340	-	25,794,732	-	472,405,317
<b>As at March 31, 2014</b>							
<b>Financial assets</b>							
Other receivables	-	-	-	-	20,000	-	20,000
Cash and bank balances	-	-	-	2,270,335	-	-	2,270,335
	-	-	-	2,270,335	20,000	-	2,290,335
<b>Financial liabilities</b>							
Bank borrowings	38,561,765	130,372,910	139,597,607	-	-	-	308,532,282
Accounts and other payables	-	-	-	-	13,208,545	-	13,208,545
Due to a related party	-	-	-	-	4,431,273	-	4,431,273
Loan from a related party	-	68,233,846	-	-	-	-	68,233,846
	38,561,765	198,606,756	139,597,607	-	17,639,818	-	394,405,946

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

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

(In Arab Emirates Dirhams)

**22 Financial risk management objectives (continued)****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.

Details of credit risks on other receivables are discussed in note 7 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.

**23 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.

**24 Contingent liabilities and commitments**

	As at March 31,	
	2015	2014
<b>Contingent liabilities</b>		
Letters of credit	<u>31,308,461</u>	<u>9,934,716</u>
Letters of guarantee (on behalf of a related party)	<u>6,235,330</u>	<u>-</u>
<b>Capital Commitments</b>		
Commitments for capital work in progress (note 4)	<u>425,768</u>	<u>1,042,775</u>

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 or commitment on the Entity's financial statements as of the reporting date.

**25 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.