

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

**Independent auditors' report and financial statements  
For the year ended March 31, 2017**

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

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

General information

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Fujairah - United Arab Emirates  
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Website : [www.jindalsaw.com](http://www.jindalsaw.com)

The Directors	Name	Nationality
	Mr. Anil Kumar Kejriwal	Indian
	Mr. Ankit Shah	Indian
	Mr. Mohammad Faiz Wase	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/17/10201

**Independent auditors' report**

To,

The Shareholders

**M/s. Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

**Report on the audit of the financial statements**

**Opinion**

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, 2017 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Entity in accordance with the requirements of Code of Ethics for Professional Accountants, issued by International Ethics Standards Board for Accountants (IESBA) together with ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of management**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, in compliance with the applicable provisions of the UAE laws 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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 the creation of Free Zone, amended by Emiri Decree No. 1 for the year 1992, we further confirm that,

- i) we have obtained all the information and explanations which we consider necessary for our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the above mentioned law and the Memorandum and Articles of Association of the Entity;
- iii) proper books of accounts have been maintained by the Entity;

**Report on other legal and regulatory requirements (continued)**

- iv) investment in shares are included in note 5 to the financial statements and include purchase and investments made by the Entity during the year ended March 31, 2017;
- v) note 14 to the financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted; and
- vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Entity has contravened, during the financial year ended March 31, 2017, any of the applicable provisions of the above mentioned law or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at March 31, 2017.

**For Horwath Mak**

  
James Mathew FCA, CPA (USA)  
Senior Partner  
Reg. No. 548  
May 22, 2017



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

Statement of financial position as at March 31, 2017  
(In Arab Emirates Dirhams)

	Notes	2017	2016
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	286,443,889	305,903,067
Investment in a subsidiary	5	251,790,372	140,580,009
<i>Total non current assets</i>		<u>538,234,261</u>	<u>446,483,076</u>
<i>Current assets</i>			
Inventories	6	555,074	616,479
Due from a related party	14	-	102,540,107
Advances, deposits and other receivables	7	13,133,044	14,977,856
Cash and bank balances	8	6,851,482	6,932,221
<i>Total current assets</i>		<u>20,539,600</u>	<u>125,066,663</u>
<b>Total assets</b>		<u><u>558,773,861</u></u>	<u><u>571,549,739</u></u>
<b>Equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	9	66,000,000	66,000,000
Accumulated (losses)	10	(46,755,172)	(37,405,063)
Shareholders' current account	11	41,452,316	57,734,042
<i>Total shareholders' equity</i>		<u>60,697,144</u>	<u>86,328,979</u>
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	12	130,602,952	174,137,269
Long term loan from related parties	14	249,918,781	88,121,590
<i>Total non-current liabilities</i>		<u>380,521,733</u>	<u>262,258,859</u>
<i>Current liabilities</i>			
Bank borrowings - current portion	12	91,038,199	81,803,622
Short term loan from a related party	14	-	112,015,537
Accounts and other payables	13	14,256,327	13,738,188
Due to related parties	14	12,260,458	15,404,554
<i>Total current liabilities</i>		<u>117,554,984</u>	<u>222,961,901</u>
Total liabilities		<u>498,076,717</u>	<u>485,220,760</u>
<b>Total shareholders' equity and liabilities</b>		<u><u>558,773,861</u></u>	<u><u>571,549,739</u></u>

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

The report of the auditors is set out on pages 2 to 4.

The financial statements on pages 5 to 29 were approved on May 21, 2017 and signed on behalf of the Entity by:

  
Director



  
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, 2017

(In Arab Emirates Dirhams)

	Notes	2017	2016
Revenue	15	-	49,373,170
Cost of revenue	16	-	(48,485,583)
<b>Gross profit</b>		-	887,587
Lease rental income - net	17	6,057,216	6,638,894
Other income	18	17,175	155,942
Administrative expenses	19	(423,537)	(1,273,026)
Finance costs	20	(15,000,963)	(14,250,884)
<b>(Loss) for the year</b>		<b>(9,350,109)</b>	<b>(7,841,487)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(9,350,109)</b>	<b>(7,841,487)</b>

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

The report of the auditors is set out on pages 2 to 4.

The financial statements on pages 5 to 29 were approved on May 21, 2017 and signed on behalf of the Entity by:

  
 Director



  
 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, 2017  
 (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, 2015	66,000,000	(29,563,576)	57,734,042	94,170,466
(Loss) for the year		(7,841,487)	-	(7,841,487)
Balance as at March 31, 2016	66,000,000	(37,405,063)	57,734,042	86,328,979
(Loss) for the year	-	(9,350,109)	-	(9,350,109)
Net movements during the year	-	-	(16,281,726)	(16,281,726)
<b>Balance as at March 31, 2017</b>	<b>66,000,000</b>	<b>(46,755,172)</b>	<b>41,452,316</b>	<b>60,697,144</b>

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

The report of the auditors is set out on pages 2 to 4.

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

Statement of cash flows for the year ended March 31, 2017  
(In Arab Emirates Dirhams)

	2017	2016
<b>Cash flows from operating activities</b>		
(Loss) for the year	(9,350,109)	(7,841,487)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	18,942,784	18,361,106
Loss on disposal of property plant and equipment	248,876	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>9,841,551</b>	<b>10,519,619</b>
<i>(Increase)/decrease in current assets</i>		
Inventories	61,405	531,196
Advances, deposits and other receivables	1,844,812	2,977,246
Due from a related party	-	(49,373,170)
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payables	518,139	(4,729,711)
Due to related parties	(3,144,096)	8,077,721
<b>Net cash from/(used in) operations</b>	<b>9,121,811</b>	<b>(31,997,099)</b>
<b>Cash flows from investing activities</b>		
Investment in a subsidiary	(8,670,256)	39,385,815
Proceeds from transfer of property, plant and equipment	510,633	-
Acquisition of property plant and equipment	(243,115)	(10,673,714)
<b>Net cash (used in)/from investing activities</b>	<b>(8,402,738)</b>	<b>28,712,101</b>
<b>Cash flows from financing activities</b>		
(Repayment)/proceeds from term loans	(43,534,317)	6,696,246
Loan from a related party	49,781,654	128,491,589
Proceeds/(repayment) of bank borrowings	9,234,577	(125,720,402)
Shareholders' current account	(16,281,726)	-
<b>Net cash (used in)/from financing activities</b>	<b>(799,812)</b>	<b>9,467,433</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(80,739)</b>	<b>6,182,435</b>
Cash and cash equivalents, beginning of the year	6,932,221	749,786
<b>Cash and cash equivalents, end of the year</b>	<b>6,851,482</b>	<b>6,932,221</b>
<b>Represented by:</b>		
Cash in hand	760	760
Cash at banks	6,850,722	6,931,461
	<b>6,851,482</b>	<b>6,932,221</b>

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

The report of the auditors is set out on pages 2 to 4.

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

Notes to the financial statements for the year ended March 31, 2017

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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 are unchanged since the previous year and consist of general trading.
- 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 Directors, Mr. Hitesh Agarwal and Mr. Anil Kumar Kejriwal (both are Indian nationals).
- 1.5 These separate financial statements incorporate the operating results of the Commercial license no. 2641.

## **2 New and amended standards**

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

The Entity has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Annual Improvements to IFRSs 2012 - 2014 cycles:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 "Financial Instruments: Disclosures": Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Further with consequential amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
- IAS 19 "Employee Benefits": Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
- IAS 34 "Interim Financial Reporting": Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Amendments to IFRS 11 "Joint Arrangements" clarify accounting for acquisitions of an Interests in Joint Operations where the activities of the operation constitute a business.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" clarify that revenue-based method of depreciation or amortisation is generally not appropriate.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.

**2 New and amended standards (continued)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)**

Disclosure Initiative-Amendments to IAS 1 "Presentation of Financial Statements" makes the following changes:

- **Materiality:** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Disaggregation and subtotals:** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes:** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

Amendments to IAS 27 "Separate Financial Statements" which allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost or as financial asset in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements. The amendments introduce the equity method as a third option.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures ": Clarifies the exception from preparing consolidated financial statements available to intermediate parent entities which are subsidiaries of investments entities.

**2.2 New and revised standards and amendments in issue but were not mandatory for annual reporting periods ending December 31, 2016**

**New and revised standards and amendments**

**Effective for annual periods beginning on or after**

Amendments in Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

January 1, 2017

IFRS 9 "Financial Instruments": Issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

January 1, 2018

**2 New and amended standards (continued)**

**2.2 New and revised standards and amendments in issue but were not mandatory for annual reporting periods ending December 31, 2016 (continued)**

**New and revised standards and amendments**

**Effective for annual periods beginning on or after**

IFRS 15 "Revenue from Contracts with Customers": IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations when it becomes effective.

January 1, 2018

IFRS 16 "Leases": The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. Earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

January 1, 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements in the period of initial application. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3 Significant accounting policies**

**3.1 Statement of compliance**

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

**3.2 Basis of preparation**

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

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

**3.3 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.

**3 Significant accounting policies (continued)**

**3.3 Current/Non current classification (continued)**

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 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 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.

**3.5 Property, plant and equipment**

Property, plant and equipment are 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

**3 Significant accounting policies (continued)**

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

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

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

The gain or loss arising on the disposal or retirement of an item of investment property 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.

**3.6 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 statement of 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 IFRS 10 "Consolidated and Separate Financial Statements" where the Entity has not opted to consolidate its subsidiary.

**3 Significant accounting policies (continued)**

**3.8 Financial instruments**

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

**3.9 Financial assets**

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Entity's loans and receivables comprise "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 on 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 receivables

Accounts 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. Accounts 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 a related party

Amounts due from a related party is measured at amortised cost.

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.

**3 Significant accounting policies (continued)**

**3.9 Financial assets (continued)**

Impairment of financial assets (continued)

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.

Derecognition of financial assets

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

**3.10 Financial liabilities**

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

Accounts and other payables

Accounts payable 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 a related party

Amounts due to/loan from a related party is 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.

**3 Significant accounting policies (continued)**

**3.10 Financial liabilities (continued)**

Derecognition of financial liabilities

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

**3.11 Offsetting financial instruments**

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

**3.12 Inventories**

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

**3.13 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.

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;

### 3 Significant accounting policies (continued)

#### 3.14 Revenue recognition (continued)

##### Sale of goods (continued)

- 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.

##### 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.

#### 3.15 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 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 periods.

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's 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.

**3 Significant accounting policies (continued)**

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

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

*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.

*Leasehold improvements*

Management determines the estimated useful life and related depreciation charges for its leasehold improvements. This estimate is based on an assumption that the Entity will renew its annual lease over the estimated useful life of the asset. It could change significantly should the annual lease not be renewed. Management will increase the depreciation charge where the useful life is less than the previously estimated useful life.

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**4 Property, plant and equipment**

The gross carrying amounts and accumulated depreciation is shown below:

	<u>Building and improvements</u>	<u>Plant and machinery</u>	<u>Tools and equipment</u>	<u>Moulds</u>	<u>Electrical installation</u>	<u>Capital work in-progress</u>	<u>Total</u>
<b>Cost</b>							
As at March 31, 2015	38,114,845	221,161,719	13,981,065	15,647,468	66,284,338	406,802	355,596,237
Additions during the year	-	5,764,263	2,850,000	-	-	2,059,451	10,673,714
As at March 31, 2016	38,114,845	226,925,982	16,831,065	15,647,468	66,284,338	2,466,253	366,269,951
Additions during the year	-	239,925	-	-	-	3,190	243,115
Transferred during the year	-	2,015,244	-	-	-	(2,015,244)	-
Disposal during the year (note 14)	-	(346,801)	(1,589,611)	-	-	-	(1,936,412)
<b>As at March 31, 2017</b>	<b>38,114,845</b>	<b>228,834,350</b>	<b>15,241,454</b>	<b>15,647,468</b>	<b>66,284,338</b>	<b>454,199</b>	<b>364,576,654</b>
<b>Accumulated depreciation</b>							
As at March 31, 2015	3,974,905	21,018,226	2,416,141	7,881,211	6,715,295	-	42,005,778
Charge for the year	1,905,742	11,132,867	1,263,240	745,040	3,314,217	-	18,361,106
As at March 31, 2016	5,880,647	32,151,093	3,679,381	8,626,251	10,029,512	-	60,366,884
Charge for the year	1,905,742	11,427,286	1,558,360	737,179	3,314,217	-	18,942,784
Eliminated on disposal during the year (note 14)	-	(46,319)	(1,130,584)	-	-	-	(1,176,903)
<b>As at March 31, 2017</b>	<b>7,786,389</b>	<b>43,532,060</b>	<b>4,107,157</b>	<b>9,363,430</b>	<b>13,343,729</b>	<b>-</b>	<b>78,132,765</b>
<b>Carrying value as at March 31, 2017</b>	<b>30,328,456</b>	<b>185,302,290</b>	<b>11,134,297</b>	<b>6,284,038</b>	<b>52,940,609</b>	<b>454,199</b>	<b>286,443,889</b>
Carrying value as at March 31, 2016	32,234,198	194,774,889	13,151,684	7,021,217	56,254,826	2,466,253	305,903,067

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 obtained on lease 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 equipment 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 18,942,784 (2016:AED 18,361,106) charged to lease rental income (note 17).
- Capital work in progress represents costs of plant and machinery under installation, pending capitalisation (note 25).

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<b>5 Investment in a subsidiary</b>	<b><u>Proportion of ownership interest</u></b>	<b><u>Proportion of voting power</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.				
- Investment in share capital	49%	49%	<b>147,000</b>	147,000
- Additional investment #			<b>251,643,372</b>	140,433,009
			<b>251,790,372</b>	140,580,009

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 interest, 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 is considered as a 100% subsidiary.

# During the year, the Entity designated the amounts receivable from the M/s. Jindal Saw Gulf (L.L.C.) amounting to AED 102,540,107 as a long term finance for the use of the investee. Accordingly, the said amount has been transferred from due from related parties to the investment in subsidiary (note 14).

The investment in a subsidiary has 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.

	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>6 Inventories</b>		
Stores and spares	<b>555,074</b>	616,479
The above inventories are lying at a warehouse in Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates are hypothecated against credit facilities (note 12).		
<b>7 Advances, deposits and other receivables</b>		
Prepayments	<b>6,797,649</b>	8,622,526
Margin deposit *	<b>6,235,330</b>	6,235,330
Other deposits	<b>5,000</b>	5,000
Advances to suppliers	<b>95,065</b>	-
Other receivables	<b>-</b>	115,000
	<b>13,133,044</b>	14,977,856

\* Margin deposit is given on behalf of a related party to a bank for issuance of performance guarantee (note 24).

<b>8 Cash and bank balances</b>		
Cash in hand	<b>760</b>	760
Cash at banks	<b>6,850,722</b>	6,931,461
	<b>6,851,482</b>	6,932,221

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**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.

The details of the shareholding as at March 31, 2017 are as follows:

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2017</u>	<u>2016</u>
M/s. Jindal Saw Holdings FZE (represented Mr. Anil Kumar Kejriwal)	U.A.E.	75	750	49,500,000	49,500,000
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	U.A.E.	25	250	16,500,000	16,500,000
		100	1,000	66,000,000	66,000,000
				<u>2017</u>	<u>2016</u>

**10 Accumulated (losses)**

Balance at the beginning of the year	(37,405,063)	(29,563,576)
(Loss) for the year	(9,350,109)	(7,841,487)
Balance at the end of the year	<u>(46,755,172)</u>	<u>(37,405,063)</u>

**11 Shareholders' current account**

Balance at the beginning of the year	57,734,042	57,734,042
Net movements during the year	(16,281,726)	-
Balance at the end of the year	<u>41,452,316</u>	<u>57,734,042</u>

*Breakup of shareholders' current account:*

<u>Name of Shareholders</u>	<u>As at March 31, 2016</u>	<u>Net movements</u>	<u>As at March 31, 2017</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Anil Kumar Kejriwal)	47,589,603	(16,281,726)	31,307,877
M/s. Sathi Holdings Limited (represented by Mr. Sanjay Kumar Aggarwal)	10,144,439	-	10,144,439
	<u>57,734,042</u>	<u>(16,281,726)</u>	<u>41,452,316</u>

The above accounts are subordinated against facilities granted by the banks (note 12).

**12 Bank borrowings**

**a) Due to banks**

Bank overdrafts	11,631,882	27,023,154
Short term loans *	10,000,000	10,000,000
Trust receipts	25,872,000	1,246,151
	<u>47,503,882</u>	<u>38,269,305</u>

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

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**12 Bank borrowings (continued)**

Bank borrowings are secured by:

- i) Corporate guarantee from M/s. Jindal Saw Limited - India and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- ii) Assignment of all risk insurance policies of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- iii) Charge over the inventories and receivables of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- iv) Assignment of receivables/proceeds.
- v) Commercial mortgage of the Entity and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E. (note 4).
- vi) Negative pledge over 49% equity interest in M/s. Jindal Saw Gulf (L.L.C.), held by the Entity.
- vii) Pledge over 75% equity shares of the Entity held by M/s. Jindal Saw Holdings FZE, Fujairah - United Arab Emirates.
- viii) Subordination of shareholders' current account (note 11).
- ix) Charge over property, plant and equipment and assignment of lease income.
- x) Subordination of loan from a related party, M/s. Sathi International FZE, Ras Al Khaimah - United Arab Emirates (note 14).

<b>b) Term loans</b>	<b>2017</b>	<b>2016</b>
Balance at the beginning of the year	217,671,586	210,975,340
Addition during the year	-	6,696,246
Less: Paid during the year	<u>(43,534,317)</u>	-
Balance at the end of the year	<u>174,137,269</u>	<u>217,671,586</u>
<b>Comprising:</b>		
Current portion	43,534,317	43,534,317
Non-current portion	<u>130,602,952</u>	<u>174,137,269</u>
	<u>174,137,269</u>	<u>217,671,586</u>

The Entity has obtained a syndicated loan from financial institutions 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.

**Bank borrowings - short term liabilities**

Due to banks (refer a)	47,503,882	38,269,305
Term loans (refer b)	<u>43,534,317</u>	<u>43,534,317</u>
	<u>91,038,199</u>	<u>81,803,622</u>

**Bank borrowings - long term liabilities**

Term loans (refer b)	<u>130,602,952</u>	<u>174,137,269</u>
<b>Total bank borrowings</b>	<u>221,641,151</u>	<u>255,940,891</u>

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	2017	2016
<b>13 Accounts and other payables</b>		
Accounts payable for capital goods	10,122,188	10,407,736
Provisions and accruals	4,134,139	3,330,452
	<u>14,256,327</u>	<u>13,738,188</u>

**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.

	2017	2016
<b>a) Due from a related party</b>		
<i>Entity under common management and control</i>		
M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.	-	102,540,107
	<u>-</u>	<u>102,540,107</u>

**b) Due to related parties**

<i>Ultimate parent</i>		
M/s. Jindal Saw Limited - India	12,260,458	11,303,563
<i>Entities under common management and control</i>		
M/s. Wisdom Holdings Limited, Ras Al Khaimah - U.A.E.	-	3,670,000
M/s. Jindal Saw Italia SPA- Italy	-	430,991
	<u>12,260,458</u>	<u>15,404,554</u>

**c) Long term loan from related parties**

<i>Shareholder</i>		
M/s. Jindal Saw Holdings FZE, Fujairah - U.A.E.*	106,231,144	88,121,590
<i>Entity under common management and control</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.#	143,687,637	-
	<u>249,918,781</u>	<u>88,121,590</u>

\* The above loan was provided by M/s. Jindal Saw Holdings FZE to meet working capital requirements and carries interest at commercial rates and is without any fixed repayment schedule.

# The above loan is interest free, without fixed repayment terms and is subordinated against credit facilities (note 12).

**d) Short term loan from a related party**

<i>Entity under common management and control</i>		
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.		112,015,537
		<u>112,015,537</u>

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**14 Related party transactions (continued)**

**e) Transactions with related parties**

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

	<b>For the year ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Sales	-	49,373,170
Interest paid to related parties (note 20)	<b>2,625,000</b>	5,281,561
Rental income (note 17)	<b>25,000,000</b>	25,000,000
Proceeds from sales of property, plant and equipment (note 4)	<b>510,633</b>	-
Purchase of property, plant and equipment	-	1,668,104
Interest charges recovered from a related party (note 20)	<b>1,951,926</b>	6,819,458
The Entity provides/receives funds to/from related parties as and when required as working capital facilities.		
	<b>For the year ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>15 Revenue</b>		
Sales : Within U.A.E.	-	49,373,170
<b>16 Cost of revenue</b>		
Cost of goods sold	-	48,485,583
<b>17 Lease rental income - net</b>		
Lease rental income* (note 14)	<b>25,000,000</b>	25,000,000
Less: Depreciation on property, plant and equipment (note 4)	<b>(18,942,784)</b>	(18,361,106)
	<b>6,057,216</b>	6,638,894
* 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 equipment (note 4).		
<b>18 Other income</b>		
Other income	<b>17,175</b>	155,942
<b>19 Administrative expenses</b>		
Rent	<b>13,500</b>	13,500
Legal and professional expenses	<b>33,594</b>	1,071,844
Audit fee	<b>20,000</b>	20,000
Repair and maintenance	<b>106,308</b>	17,775
Loss on sale of property, plant and equipment	<b>248,876</b>	-
Foreign exchange loss (net)	<b>1,259</b>	129,251
Other expenses	-	20,656
	<b>423,537</b>	1,273,026

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	For the year ended March 31,	
	2017	2016
<b>20 Finance costs</b>		
Interest on term loans*	8,902,462	9,118,934
Interest paid to related parties #	2,625,000	2,859,933
Bank and finance charges	2,125,612	2,272,017
Interest rate swap	1,347,889	-
	<b>15,000,963</b>	<b>14,250,884</b>

\* The above interest on term loans is net of AED 1,951,926 (2016: AED 6,819,458) being interest recovered from M/s. Jindal Saw Gulf (L.L.C.) for the use of working capital facilities (note 14).

# The above includes AED 2,625,000 (2016: AED 2,625,000) being interest paid to a related party (Ultimate parent) for providing corporate guarantee against credit facilities (note 14).

**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,	
	2017	2016	2017	2016
	Carrying Value		Fair value	
<i>Financial assets</i>				
Other receivables	6,240,330	6,355,330	6,240,330	6,355,330
Due from a related party	-	102,540,107	-	102,540,107
Cash and bank balances	6,851,482	6,932,221	6,851,482	6,932,221
	<b>13,091,812</b>	<b>115,827,658</b>	<b>13,091,812</b>	<b>115,827,658</b>
<i>Financial liabilities</i>				
Bank borrowings	221,641,151	255,940,891	221,641,151	255,940,891
Accounts and other payables	14,256,327	13,738,188	14,256,327	13,738,188
Due to related parties	12,260,458	15,404,554	12,260,458	15,404,554
Short term loan from a related party	-	112,015,537	-	112,015,537
Loans from a related party	249,918,781	200,137,127	249,918,781	200,137,127
	<b>498,076,717</b>	<b>597,236,297</b>	<b>498,076,717</b>	<b>597,236,297</b>

Financial instruments comprise of financial assets and financial liabilities.

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

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**21 Financial instruments (continued)**

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

Financial assets consist of cash and bank balances, due from a related party and other receivables. Financial liabilities consist of accounts and other payables, bank borrowings, due to related parties, loans from a related party.

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, 2017, 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.

**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.

The carrying amounts of the Entity's monetary assets and liabilities denominated in foreign currencies other than in U.A.E. Dirhams or currencies to which the Dirhams is fixed are as follows:

	Amounts in Foreign currency		Amounts in AED	
	2017	2016	2017	2016
Euro	392	97,948	1,541	409,422

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

a) *Foreign currency risk management (continued)*

Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% increase and decrease in the AED against the relevant foreign currencies. 10% is the sensitivity rate used for reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive or negative number below indicates an increase or decrease in profit or loss where the AED weakens 10% against the relevant currency. For a 10% strengthening of the AED against the relevant currency, there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

	<u>Profit or loss</u>	
	<u>2017</u>	<u>2016</u>
Euro	<u>154</u>	<u>40,942</u>

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 1,108,206 (2016: (decrease)/increase by AED 1,279,704).

c) *Liquidity risk management*

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

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

Liquidity and interest risk tables:

The table on the following page 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 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 shown on the following page:

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**22 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, 2017</b>							
<b>Financial assets</b>							
Other receivables	-	-	-	-	6,240,330	-	6,240,330
Cash and bank balances	-	-	-	6,851,482	-	-	6,851,482
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,851,482</u>	<u>6,240,330</u>	<u>-</u>	<u>13,091,812</u>
<b>Financial liabilities</b>							
Bank borrowings	11,631,882	79,406,317	130,602,952	-	-	-	221,641,151
Accounts and other payables	-	-	-	-	14,256,327	-	14,256,327
Due to related parties	-	-	-	-	12,260,458	-	12,260,458
Loans from a related party	-	-	106,231,144	-	-	143,687,637	249,918,781
	<u>11,631,882</u>	<u>79,406,317</u>	<u>236,834,096</u>	<u>-</u>	<u>26,516,785</u>	<u>143,687,637</u>	<u>498,076,717</u>
<b>As at March 31, 2016</b>							
<b>Financial assets</b>							
Other receivables	-	-	-	-	6,355,330	-	6,355,330
Due from a related party	-	-	-	-	102,540,107	-	102,540,107
Cash and bank balances	-	-	-	6,932,221	-	-	6,932,221
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,932,221</u>	<u>108,895,437</u>	<u>-</u>	<u>115,827,658</u>
<b>Financial liabilities</b>							
Bank borrowings	28,269,305	53,534,317	174,137,269	-	-	-	255,940,891
Accounts and other payables	-	-	-	-	13,738,188	-	13,738,188
Short term loan from a related party	-	-	-	-	112,015,537	-	112,015,537
Due to related parties	-	-	-	-	15,404,554	-	15,404,554
Loans from a related party	-	112,015,537	88,121,590	-	-	-	200,137,127
	<u>28,269,305</u>	<u>165,549,854</u>	<u>174,137,269</u>	<u>-</u>	<u>141,158,279</u>	<u>-</u>	<u>597,236,297</u>

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

Details of credit risks on other receivables are disclosed 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 the 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 shareholders' current account as disclosed in the financial statements.

## 24 Contingent liabilities

Letters of guarantee\*

Interest rate swap - onerous contract

As at March 31,	
2017	2016
6,367,768	6,355,354
1,253,114	2,371,481

\* The above includes AED 6,235,330 (P.Y.: AED 6,235,330) being guarantees provided on behalf of a related party.

## 25 Commitments

Commitments for capital work-in-progress (note 4)

As at March 31,	
2017	2016
954,700	524,248

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.

## 26 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 Entity's previously reported financial result or equity.