

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

**Auditors' report and financial statements  
For the year ended March 31, 2012**

**Jindal Saw Middle East FZC**

Fujairah Free Zone

Fujairah - United Arab Emirates

Auditors' report and financial statements for the year ended March 31, 2012

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

The Entity

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Principal office address : P.O. Box: 5232  
Fujairah Free Zone  
Fujairah - United Arab Emirates  
T: +971 9 2282978  
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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 main banks : HSBC Bank  
Bank of Baroda  
Citi Bank



Ref: JM/AR/12/5192

**Independent auditors' report**

To,

The Shareholders

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

P.O. Box: 5232

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, 2012 and the statement of 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 notes.

**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 (IFRS). The management is also responsible for such internal controls as it determines 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, 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 our 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, we consider 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 the **M/s. Jindal Saw Middle East FZC**, Fujairah Free Zone, Fujairah - United Arab Emirates as at March 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other matters

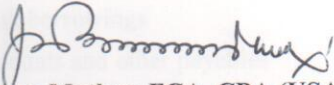
The financial statements of the Entity for year 2011, were audited by other auditors, under Indian GAAP who expressed an unqualified opinion on those statements on July 27, 2011. The financial statements included an amount of AED 125,874, being pre-operative expenses that were classified under "Capital work in progress". As per 'IAS 16' such expenses should have been expensed through the statement of comprehensive income. However, since the amounts involved were insignificant those have been prospectively adjusted in the year 2012 and comparative figures have not been restated as per 'IAS 8'.

### 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 necessary for our audit.
- 2 Proper books of accounts have been maintained by the Entity.
- 3 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



June 07, 2012

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

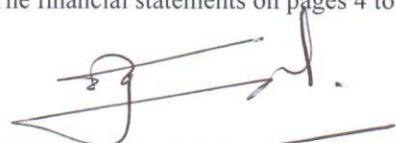
Statement of financial position as at March 31, 2012  
 (In Arab Emirates Dirhams)

	Notes	2012	2011
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	4	149,513,768	19,770,829
Investment in a subsidiary	5	85,248,104	17,057,081
Available-for-sale investment	6	-	116,428
<i>Total non current assets</i>		<u>234,761,872</u>	<u>36,944,338</u>
<i>Current assets</i>			
Advances, deposits and other receivables	7	1,278,728	16,250
Bank balances	8	4,874,799	8,305,107
<i>Total current assets</i>		<u>6,153,527</u>	<u>8,321,357</u>
<b>Total assets</b>		<u><u>240,915,399</u></u>	<u><u>45,265,695</u></u>
<b>Equity and liabilities</b>			
<i>Shareholders' equity</i>			
Share capital	9	66,000,000	150,000
Accumulated (loss)	10	(1,579,406)	-
Shareholders' current account	11	12,075,733	44,319,384
<i>Total shareholders' equity</i>		<u>76,496,327</u>	<u>44,469,384</u>
<i>Non-current liabilities</i>			
Bank borrowings - non-current portion	12	134,803,365	-
<i>Total non-current liabilities</i>		<u>134,803,365</u>	<u>-</u>
<i>Current liabilities</i>			
Bank borrowings	12	5,449,378	421,609
Accounts and other payables	13	23,037,858	310,603
Due to a related party	14	1,128,471	64,099
<i>Total current liabilities</i>		<u>29,615,707</u>	<u>796,311</u>
Total liabilities		<u>164,419,072</u>	<u>796,311</u>
<b>Total shareholders' equity and liabilities</b>		<u><u>240,915,399</u></u>	<u><u>45,265,695</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.

The financial statements on pages 4 to 25 were approved on June 06, 2012 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

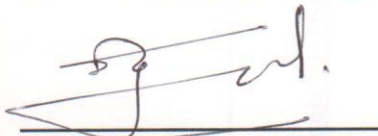
Statement of comprehensive income for the year ended March 31, 2012  
 (In Arab Emirates Dirhams)


	<u>Note</u>	<u>2012</u>	<u>2011</u>
Other income		34,788	-
Administrative expenses		(49,822)	-
Finance costs	15	<u>(1,564,372)</u>	-
<b>(Loss) for the year</b>		<b>(1,579,406)</b>	-
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b><u>(1,579,406)</u></b>	<b>-</b>

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

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The financial statements on pages 4 to 25 were approved on June 06, 2012 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, 2012  
 (In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Accumulated (loss)</u>	<u>Shareholders' current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2010	150,000	-	744,057	894,057
Net movements during the year	-	-	43,575,327	43,575,327
Balance as at March 31, 2011	150,000	-	44,319,384	44,469,384
Comprehensive (loss) for the year	-	(1,579,406)	-	(1,579,406)
Additional share capital introduced	65,850,000	-	-	65,850,000
Net movements during the year	-	-	(32,243,651)	(32,243,651)
<b>Balance as at March 31, 2012</b>	<b>66,000,000</b>	<b>(1,579,406)</b>	<b>12,075,733</b>	<b>76,496,327</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, 2012  
 (In Arab Emirates Dirhams)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Net (loss) for the year	(1,579,406)	-
<i>Adjustments for:</i>		
(Gain) on sale of available-for-sale investment	(11,601)	-
<b>Operating (loss) before changes in operating assets and liabilities</b>	(1,591,007)	-
<i>(Increase)/decrease in current assets</i>		
Advances, deposits and other receivables	(1,262,478)	-
<i>Increase/(decrease) in current liabilities</i>		
Accounts and other payables	22,727,255	309,853
Due to a related party	1,064,372	64,099
<b>Net cash from operations</b>	<u>20,938,142</u>	<u>373,952</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of available for sale investment	128,029	-
Acquisition of shares in subsidiary	(68,191,023)	(16,592,353)
Purchase of available for sale investments	-	(116,428)
Additions to Capital work in progress	(129,742,939)	(19,757,404)
<b>Net cash (used in) investing activities</b>	<u>(197,805,933)</u>	<u>(36,466,185)</u>
<b>Cash flows from financing activities</b>		
Additional share capital introduced	65,850,000	-
Proceeds from term loan	139,303,365	-
Proceeds from bank borrowings	527,769	421,609
Net movements in shareholders' current account	(32,243,651)	43,575,327
<b>Net cash from financing activities</b>	<u>173,437,483</u>	<u>43,996,936</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(3,430,308)	7,904,703
Cash and cash equivalents, beginning of the year	8,305,107	400,404
<b>Cash and cash equivalents, end of the year</b>	<u>4,874,799</u>	<u>8,305,107</u>
<b>Represented by:</b>		
Bank balances	<u>4,874,799</u>	<u>8,305,107</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.

**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 trading license issued by the Fujairah Free Zone Authority, Fujairah - United Arab Emirates.
- 1.2 The principal activities of the Entity are unchanged since the previous year and consist of trading in heavy machinery, steel and iron products.
- 1.3 The registered office 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 Indian nationals).
- 1.5 These financial statements incorporate the operating results of the Trading license no. 2641.
- 1.6 During the year, the share capital of the Entity was increased from AED 150,000 to AED 66,000,000 vide amendment to Articles of Incorporation dated March 27, 2012 (note 9).

**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 but may affect the accounting for future transactions or arrangements.

**New and revised IFRSs**

*IFRS 9 Financial Instruments (as part of IAS 39 replacement project)*

**Summary of requirements**

New requirements on accounting for financial liabilities measured at fair value through profit or loss (FVTPL) and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. The new requirements address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value.

The application of these new requirements has no effect on the financial statements of the Entity for the year then ended as all financial liabilities are measured at amortised cost by using the effective interest rate method.

*Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)*

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

This amendment had no effect on the amounts reported in current year and prior years because the Entity has not previously issued instruments of this nature.

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

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

Amendments to IAS 7 <i>Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)</i>	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
IFRIC 17 <i>Distributions of Non-Cash Assets to Owners</i>	The Interpretation provides guidance on the appropriate accounting treatment when the Entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 <i>Transfers of Assets from Customers</i>	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 <i>Revenue</i> .
Improvements to IFRSs issued in 2009	The application of Improvements to IFRSs issued in 2009 which amended IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 has not had any material effect on amounts reported in the financial statements.

**2.2 New and revised IFRSs in issue but not yet effective and not early adopted**

The Entity has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
Amendments to IFRS 1 <i>First-Time Adoption of International Financial Reporting Standards</i> : , replaces references to a fixed date of transition and for entities which are subject to severe hyper inflation.	1 July 2011
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : for other comprehensive income 'OCI' whether they are reclassifiable to profit or loss subsequently as reclassification adjustments.	1 July 2012

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

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

Amendments to IAS 19 <i>Employee Benefits</i> : which eliminates the corridor approach and calculate finance costs on a net funding basis.	1 January 2013
IFRS 9 <i>Financial Instruments</i> (as amended in 2010)	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair value measurement</i>	1 January 2013
<i>Improvements to IFRSs</i> issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010

Management anticipates that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

**3 Significant accounting policies**

**3.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of the U.A.E. laws. These financial statements are presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Entity is domiciled.

**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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed after significant accounting policies.

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

## Jindal Saw Middle East FZC

Fujairah Free Zone

Fujairah - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2012

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### 3 Significant accounting policies (continued)

#### 3.3 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 except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

#### 3.4 Property, plant and equipment

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

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

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

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

#### Capital work in progress

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

### 3 Significant accounting policies (continued)

#### 3.5 Impairment of tangible assets

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

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

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

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

#### 3.6 Investments in subsidiary

The investments in subsidiary is accounted for using cost method as suggested by IAS 39 "Financial Instruments: Recognition and Measurement".

#### 3.7 Financial instruments

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

#### 3.8 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'.

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 income statement

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)

#### 3.8 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 income statement.

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

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 "trade and other receivables", "cash and cash equivalents", "due from/to related parties", "shareholders' loan" and "loan from/to related parties" in the statement of financial position.

##### 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 and other receivables are 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)**

**3.8 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).

**3 Significant accounting policies (continued)**

**3.8 Financial assets (continued)**

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

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

**3.9 Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability (and an equity instrument).

An equity instrument is any contract that evidences a residual interest in the assets of the Entity after deducting all of its liabilities. (Equity instruments issued by the Entity are recorded at the proceeds received, net of direct issue costs).

Trade and other payables

Trade and other payables are measured at amortised cost.

Due to/loan from related parties

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

Bank borrowings (long term loans)

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 Offsetting financial instruments**

##### Share capital

Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire.

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.

#### **3.11 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.

#### **3.12 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.

#### **3.13 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 judgments 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.

**3 Significant accounting policies (continued)**

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

**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 judgment that has the most significant effect on the amounts recognised in the financial statements.

**Equity instruments**

The Management have reviewed the equity instruments disclosed in the financial statements, in light of its capital requirements to maintain the current level of business. The Management confirms the Entity's positive intention and ability to continue the equity instruments on a long term basis.

**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 assumptions**

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.

**Key sources of estimation uncertainty**

*Operating lease expenses*

Lease payments under operating lease have been recognised as an expense on a straight-line basis over the lease rental period after considering the rent escalation as per the rent agreements. The rent charge could significantly change in subsequent accounting periods should the lease contract not be renewed or change in lease terms of the contract.

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**4 Property, plant and equipment**

The gross carrying amount is shown below:

	<u>Capital work-in-progress</u>
<b>Cost</b>	
As at March 31, 2010	13,425
Addition during the year	<u>19,757,404</u>
As at March 31, 2011	19,770,829
Addition during the year	<u>129,742,939</u>
<b>As at March 31, 2012</b>	<u><u>149,513,768</u></u>
<b>Carrying value as at March 31, 2012</b>	<u><u>149,513,768</u></u>
Carrying value as at March 31, 2011	<u><u>19,770,829</u></u>

Capital work in progress represents machineries being installed in a factory building owned by a related party (M/s Jindal Saw Gulf (L.L.C.), under construction on plot no. 11 NR 28, Industrial City of Abu Dhabi III, Abu Dhabi - United Arab Emirates. The machineries will be capitalized on the date they will be available for use and would be leased to the said related party. The above machineries are hypothecated to a bank against credit facilities (note 12 b).

	<u>2012</u>	<u>2011</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.	49%	49%
	<u><u>85,248,104</u></u>	<u><u>17,057,081</u></u>

Investment in subsidiary represents 49% equity (147 shares of AED 1,000 each) in 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.

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

The financial statements of the subsidiaries are not consolidated in the parent's separate financial statements and are carried at cost as per IAS 27 ("Consolidated and separate financial statements").

**6 Available-for-sale investment**

M/s. Ralael Holdings Limited - Cyprus - unquoted	<u><u>-</u></u>	<u><u>116,428</u></u>
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During the year, investment in M/s. Ralael Holdings Limited - Cyprus has been sold to M/s. Jindal Saw Limited - India at a profit of AED 11,601.

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	<u>2012</u>	<u>2011</u>
<b>7 Advances, deposits and other receivables</b>		
Deposits	16,250	16,250
Advances to suppliers for capital goods	1,247,478	-
Other receivables	15,000	-
	<u>1,278,728</u>	<u>16,250</u>
<b>8 Bank balances</b>		
Cash at banks	<u>4,874,799</u>	<u>8,305,107</u>

**9 Share capital**

Authorised, issued and paid up capital of the Entity was AED 150,000, divided into 1,000 fully paid up shares of AED 150 each.

The details of the shareholding for the year ended March 31, 2011 are as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No of shares</u>	<u>2011</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Hitesh Agarwal)	U.A.E.	75	750	112,500
Mr. Sanjay Kumar Aggarwal	Indian	25	250	37,500
		<u>100</u>	<u>1,000</u>	<u>150,000</u>

During the year, the share capital of the Entity was increased from AED 150,000 to AED 66,000,000 representing 1,000 fully paid shares of AED 66,000 each vide amendment to Articles of Incorporation dated March 27, 2012 [note1 (1.6)].

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No of shares</u>	<u>2012</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
		<u>100</u>	<u>1,000</u>	<u>66,000,000</u>

**10 Accumulated (loss)**

Comprehensive (loss) for the year	<u>(1,579,406)</u>	-
Balance at the end of the year	<u>(1,579,406)</u>	-

**11 Shareholders' current account**

Balance at the beginning of the year	44,319,384	744,057
Net movements during the year	<u>(32,243,651)</u>	43,575,327
Balance at the end of the year	<u>12,075,733</u>	<u>44,319,384</u>

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**11 Shareholders' current account (continued)**

*Breakup of Shareholders' current accounts:*

<u>Name of Shareholders</u>	<u>As at Mar 31, 2011</u>	<u>Net movements</u>	<u>As at Mar 31, 2012</u>
M/s. Jindal Saw Holdings FZE (represented by Mr. Hitesh Agarwal)	31,446,445	(19,515,151)	11,931,294
Mr. Sanjay Kumar Aggarwal	12,872,939	(12,728,500)	144,439
	<u>44,319,384</u>	<u>(32,243,651)</u>	<u>12,075,733</u>
		<u>2012</u>	<u>2011</u>

**12 Bank borrowings**

**a) Due to banks**

Short term loan	411,040	421,609
Trust receipts	538,338	-
	<u>949,378</u>	<u>421,609</u>

Due to banks are secured by:

- i) Corporate guarantees from M/s. Jindal Saw Limited - India and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- ii) Personal guarantee from one of the shareholders.
- iii) Assignment of all risks insurance policy over machinery in the name of M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- iv) Assignment of income over plant and equipment leased to M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.
- v) Hypothecation of plant and machinery from M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.

**b) Term loan**

Addition during the year	<u>139,303,365</u>	<u>-</u>
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The above term loan represents the draw down amount out of a total sanctioned limit of AED 168,000,000 obtained to finance the purchase of property, plant and equipment. The loan carries an interest @ EIBOR + 3.25% per annum. The loan is to be repaid in 16 quarterly installments commencing from February 23, 2013 and ending on February 23, 2017.

**Comprising:**

Current portion	4,500,000	-
Non-current portion	<u>134,803,365</u>	<u>-</u>
	<u>139,303,365</u>	<u>-</u>

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	<u>2012</u>	<u>2011</u>
<b>12 Bank borrowings (continued)</b>		
<b>Borrowings - short term liabilities</b>		
Due to banks (refer a)	949,378	421,609
Term loan (refer b)	<u>4,500,000</u>	<u>-</u>
	<u>5,449,378</u>	<u>421,609</u>
<b>Borrowings - long term liabilities</b>		
Term loan (refer b)	<u>134,803,365</u>	<u>-</u>
<b>13 Accounts and other payables</b>		
Accounts payables for capital goods	22,353,268	305,441
Provisions and accruals	<u>684,590</u>	<u>5,162</u>
	<u>23,037,858</u>	<u>310,603</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.

**a) Due to a related party**

M/s. Jindal Saw Limited - India	<u>1,128,471</u>	<u>64,099</u>
	<u>1,128,471</u>	<u>64,099</u>

**b) Transactions with related parties**

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

	<u>Year ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
Interest charges	<u>1,064,372</u>	<u>64,099</u>
Sale of investments	<u>128,029</u>	<u>-</u>

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

**15 Finance costs**

Bank interest and charges	<u>1,564,372</u>	<u>-</u>
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**16 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, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

	<u>As at March 31,</u>	
	<u>2012</u>	<u>2011</u>
b) <i>Categories of financial instruments</i>		
<i>Financial assets</i>		
Other receivables	31,250	16,250
Bank balances	4,874,799	8,305,107
	<u>4,906,049</u>	<u>8,437,785</u>
<i>Financial liabilities at amortised cost</i>		
Borrowings	140,252,743	421,609
Accounts and other payables	23,037,858	310,603
Due to a related party	1,128,471	64,099
	<u>164,419,072</u>	<u>796,311</u>

c) *Fair values of financial instruments*

Financial instruments comprise of financial assets and financial liabilities.

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

The fair values of financial assets and liabilities are not materially different from their carrying values as at the reporting date.

**17 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.

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

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

a) *Foreign currency risk management*

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

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.

c) *Liquidity risk management*

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

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

*Liquidity and interest risk tables*

The table below summarises the maturity profile of the Entity's financial assets. 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 on the following page:

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

*c) Liquidity risk management (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, 2012</b>							
<b>Financial assets</b>							
Other receivables	-	-	-	-	15,000	16,250	31,250
Bank balances	-	-	-	4,874,799	-	-	4,874,799
	-	-	-	4,874,799	15,000	16,250	4,906,049
<b>Financial liabilities</b>							
Bank borrowings	-	5,449,378	134,803,365	-	-	-	140,252,743
Accounts and other payables	-	-	-	-	23,037,858	-	23,037,858
Due to a related party	-	-	-	-	1,128,471	-	1,128,471
	-	5,449,378	134,803,365	-	24,166,329	-	164,419,072
<b>As at March 31, 2011</b>							
<b>Financial assets</b>							
Other receivables	-	-	-	-	-	16,250	16,250
Bank balances	-	-	-	8,305,107	-	-	8,305,107
	-	-	-	8,305,107	-	132,678	8,437,785
<b>Financial liabilities</b>							
Bank borrowings	-	421,609	-	-	-	-	421,609
Accounts and other payables	-	-	-	-	310,603	-	310,603
	-	421,609	-	-	374,702	-	796,311

**17 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 uses its own trading records to rate its existing customers and increase their credits limits. The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly.

The Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Entity defines counterparties as having similar characteristics if they are related entities. 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.

**18 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 cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in the financial statements.

**19 Contingent liabilities**

	<u>As at March 31,</u>	
	<u>2012</u>	<u>2011</u>
Letters of guarantee	<u>23,695,599</u>	<u>5,140,499</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 on Entity's financial statements as of reporting date.

**20 Commitments**

Commitments towards capital work in progress	<u>25,096,435</u>	<u>86,227,980</u>
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Except for the above business obligations which are under normal course of business against which no loss is expected, there has been no other known capital commitment on Entity's financial statements as of reporting date.

**21 Comparative amounts**

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