

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

**Independent auditors' report and financial statements
For the year ended March 31, 2016**

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

Table of contents

	<u>Pages</u>
General information	1
Managing Director's report	2 & 3
Independent auditors' report	4 & 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in shareholders' equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 29

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

General information

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

Website : www.jindalsaw.com

The Managing Director	: Name	Nationality
	Mr. Sanjay Kumar Aggarwal	Indian

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

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

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

Managing Director's report

The Managing Director has the pleasure in presenting his report and the audited financial statements for the year ended March 31, 2016.

Principal activities of the Entity:

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

Financial review:

The table below summarizes the results of 2016 and 2015.

	<u>2016</u>	<u>2015</u>
	AED	AED
Revenue	256,486,433	374,953,014
Gross profit	20,724,147	59,811,199
Gross profit margin	8%	16%
(Loss) for the year	(34,431,547)	(1,019,369)

Role of the Managing Director:

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

Going concern:

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

Events after year end:

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

Auditors:

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

Statement of Managing Director's responsibilities:

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

Statement of Managing Director's responsibilities (continued):

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

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


Managing Director
May 11, 2016



Ref: JM/AR/16/9199

Independent auditors' report

To,

The Shareholders

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

Abu Dhabi - United Arab Emirates

Report on the financial statements

We have audited the accompanying financial statements of **M/s. Jindal Saw Gulf (L.L.C.)**, Abu Dhabi - United Arab Emirates (the "Entity") which comprise the statement of financial position as at March 31, 2016, 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.

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, its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and for such internal controls as management determines which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **M/s. Jindal Saw Gulf (L.L.C.)**, Abu Dhabi - United Arab Emirates as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information which we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Entity has maintained proper books of account;
- iv) the financial information included in the Managing Director's report is consistent with the books of account of the Entity;
- v) the Entity has not purchased or invested in shares during the year ended March 31, 2016;
- vi) note 6 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) 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 year ended March 31, 2016 any of the provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at March 31, 2016.

For Horwath Mak


James Mathew FCA, CPA (USA)
Managing Partner
Reg. No. 548
May 11, 2016



Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Statement of financial position as at March 31, 2016

(In Arab Emirates Dirhams)

	Notes	2016	2015
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	4	45,575,774	42,944,279
<i>Total non-current assets</i>		45,575,774	42,944,279
<i>Current assets</i>			
Inventories	5	109,276,970	128,856,732
Due from a related party	6	7,721,778	1,410,063
Trade receivables	7	19,935,485	85,390,010
Advances, deposits and other receivables	8	14,227,831	11,315,820
Cash and bank balances	9	1,473,299	2,996,555
<i>Total current assets</i>		152,635,363	229,967,180
Total assets		198,211,137	272,911,459
Equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	10	300,000	300,000
Accumulated (losses)	11	(70,255,431)	(35,823,884)
Shareholder's current account	12	140,433,009	179,818,824
<i>Total shareholders' equity</i>		70,477,578	144,294,940
<i>Non-current liabilities</i>			
Bank borrowings - non current portion	15	143,011	22,507
Employees' end of service benefits	13	2,093,605	1,495,413
<i>Total non-current liabilities</i>		2,236,616	1,517,920
<i>Current liabilities</i>			
Trade and other payables	14	13,967,064	26,949,197
Due to related parties	6	110,965,724	61,252,052
Bank borrowings - current portion	15	564,155	38,897,350
<i>Total current liabilities</i>		125,496,943	127,098,599
Total liabilities		127,733,559	128,616,519
Total shareholders' equity and liabilities		198,211,137	272,911,459

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

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

The financial statements on pages 6 to 29 were approved on May 10, 2016 and signed on behalf of the Entity, by:



Managing Director



Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Statement of profit or loss and other comprehensive income for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	Notes	2016	2015
Revenue	16	256,486,433	374,953,014
Cost of revenue	17	(235,762,286)	(315,141,815)
Gross profit		20,724,147	59,811,199
Other income	18	1,382,220	1,120,379
Selling and distribution expenses	19	(29,357,666)	(28,554,595)
Administrative expenses	20	(18,550,927)	(19,922,854)
Finance costs	21	(8,629,321)	(13,473,498)
(Loss) for the year		(34,431,547)	(1,019,369)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(34,431,547)	(1,019,369)

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

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

The financial statements on pages 6 to 29 were approved on May 10, 2016 and signed on behalf of the Entity, by:


Managing Director



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

Statement of changes in shareholders' equity for the year ended March 31, 2016
 (In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Accumulated (losses)</u>	<u>Shareholder's current account</u>	<u>Total shareholders' equity</u>
Balance as at March 31, 2014	300,000	(34,804,515)	192,526,454	158,021,939
(Loss) for the year	-	(1,019,369)	-	(1,019,369)
Net movements during the year	-	-	(12,707,630)	(12,707,630)
Balance as at March 31, 2015	300,000	(35,823,884)	179,818,824	144,294,940
(Loss) for the year	-	(34,431,547)	-	(34,431,547)
Net movements during the year	-	-	(39,385,815)	(39,385,815)
Balance as at March 31, 2016	300,000	(70,255,431)	140,433,009	70,477,578

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

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

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Statement of cash flows for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
(Loss) for the year	(34,431,547)	(1,019,369)
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	6,264,197	6,906,380
(Gain) on sale of property plant and equipment	(77,342)	(467)
Provision for employees' end of service benefits	737,596	581,494
Operating (loss)/profit before changes in operating assets and liabilities	<u>(27,507,096)</u>	<u>6,468,038</u>
<i>(Increase)/decrease in current assets</i>		
Inventories	19,579,762	(22,713,002)
Trade receivables	65,454,525	(55,078,652)
Advances, deposits and other receivables	(2,914,011)	(2,420,919)
Due from a related party	(6,311,715)	3,604,872
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	(12,982,133)	13,235,698
Due to related parties	49,713,672	60,659,300
Cash generated from operations	<u>85,033,004</u>	<u>3,755,335</u>
Employees' end of services benefits paid	(139,404)	(172,918)
Net cash from operating activities	<u>84,893,600</u>	<u>3,582,417</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	90,130	17,479
Property, plant and equipment transferred to a related party	-	92,759
Acquisition of property, plant and equipment	(8,908,480)	(28,002,559)
Net cash (used in) investing activities	<u>(8,818,350)</u>	<u>(27,892,321)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	(38,212,691)	36,626,294
Shareholder's current account	(39,385,815)	(12,707,630)
Net cash (used in)/from financing activities	<u>(77,598,506)</u>	<u>23,918,664</u>
Net (decrease) in cash and cash equivalents	<u>(1,523,256)</u>	<u>(391,240)</u>
Cash and cash equivalents, beginning of the year	2,996,555	3,387,795
Cash and cash equivalents, end of the year	<u>1,473,299</u>	<u>2,996,555</u>
Represented by:		
Cash in hand	23,842	33,535
Cash at banks	1,449,457	2,963,020
	<u>1,473,299</u>	<u>2,996,555</u>

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

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

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

1 Legal status and business activities

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

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

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

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective.
- IFRS 2 "Share Based Payments": Clarified the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- IFRS 3 "Business Combinations": Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.
- IFRS 3 "Business Combinations": Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 8 "Operating Segments": Requires to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that a reconciliations of the total of the reportable segments' assets must only be disclosed if the segment assets are reported regularly.
- IFRS 13 "Fair Value Measurement": Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial and also clarifies that the scope of the portfolio exception defined in IFRS 13 applies to all contracts accounted for within the scope of IAS 39 and IFRS 9.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarifies that when an item of property, plant and equipment or intangible assets is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- IAS 24 "Related Party Disclosures": Clarifies that when an entity receives management personnel services from a third party, the fees paid for those services must be disclosed by the reporting entity.
- IAS 40 "Investment property": Clarifies that the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

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)

Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles (continued)

Amendments to IAS 19 "Employee Benefits": The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRSs in issue but not yet effective

New and revised IFRSs

Effective for annual periods

beginning on or after

Amendments to IFRS 7 "Financial Instruments": Disclosures relating to disclosures about the initial application of IFRS 9. Applies when IFRS 9 is applied

IFRS 7 "Financial Instruments: Disclosures": Additional Hedge Accounting Disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. Applies when IFRS 9 is applied

IFRS 9 "Financial Instruments": IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets; (2) the classification and measurement requirements for both financial assets and financial liabilities; (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015. January 1, 2018

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

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures ": Clarifies that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business. January 1, 2016

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. January 1, 2016

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. January 1, 2016

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. January 1, 2016

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. January 1, 2016

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

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

New and revised IFRSs

Effective for annual periods

beginning on or after

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. January 1, 2016

Amendments to IAS 1 "Presentation of Financial Statements" to address perceived impediments to preparers exercising their judgment in presenting their financial reports. January 1, 2016

Annual Improvements to IFRS 2012 - 2014 Cycle January 1, 2016

- 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": additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. IFRS 7 also clarifies the additional disclosures relating to the offsetting of financial assets and financial liabilities to be included in interim reports required by IAS 34.

- 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.

- IAS 34 "Interim Financial Reporting": Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

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, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements 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 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 the statement of financial position based on current/non-current classification. An asset is current when it is:

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

3 Significant accounting policies (continued)

3.3 Current/Non current classification (continued)

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

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

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

The Entity classifies all other liabilities as non-current.

3.4 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.

3.5 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.

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 improvements	20
Machinery	20
Tools and equipment	5
Moulds	Usage basis
Furniture, fixtures and equipment	2 - 4
Motor vehicles	5

The building 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 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.

3 Significant accounting policies (continued)

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 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.

3.7 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'.

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

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

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

3 Significant accounting policies (continued)

3.8 Financial assets (continued)

Trade and other receivables

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

Due from a related party

Amount 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.

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

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

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

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

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

3 Significant accounting policies (continued)

3.9 Financial liabilities (continued)

Trade and other payables

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

Due to related parties

Amounts due to related parties are stated at amortised cost.

Loans and borrowings

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

Derecognition of financial liabilities

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

3.10 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.

3.11 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.

3.12 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 Significant accounting policies (continued)

3.13 Revenue recognition

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

Sale of goods

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

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

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

3.14 Leasing

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

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

3.15 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the 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

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

3 Significant accounting policies (continued)

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

Critical judgements in applying accounting policies (continued)

Related parties

The Management have disclosed the related parties and the related due to and from related parties as per the requirements of IAS 24 "*Related Parties Disclosures*". In view of due to and from related parties being receivable and payable on demand and the management'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.

Allowance for doubtful debts

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

Inventories

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

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.

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016
(In Arab Emirates Dirhams)

4 Property, plant and equipment

The gross carrying amounts and accumulated depreciations are shown below:

Cost	<u>Building improvements</u>	<u>Machinery</u>	<u>Tools and equipment</u>	<u>Moulds</u>	<u>Furniture, fixtures and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
As at March 31, 2014	8,654,421	201,615	-	12,500,619	1,434,096	1,542,650	24,333,401
Addition during the year	823,713	1,809,679	573,000	23,905,748	714,660	83,000	27,909,800
Transferred from a related party (note 6)	-	92,759	-	-	-	-	92,759
Transferred to related parties (note 6)	-	(92,759)	-	-	-	-	(92,759)
Disposal during the year	-	-	-	-	-	(77,800)	(77,800)
As at March 31, 2015	9,478,134	2,011,294	573,000	36,406,367	2,148,756	1,547,850	52,165,401
Addition during the year	64,265	2,710,508	-	5,473,105	187,407	473,195	8,908,480
Disposal during the year	-	-	-	-	(19,844)	(148,150)	(167,994)
As at March 31, 2016	9,542,399	4,721,802	573,000	41,879,472	2,316,319	1,872,895	60,905,887
Accumulated depreciation							
As at March 31, 2014	20,222	856	-	1,022,110	673,606	658,736	2,375,530
Charge for the year	438,256	18,113	6,879	5,724,444	409,469	309,219	6,906,380
Eliminated on disposal during the year	-	-	-	-	-	(60,788)	(60,788)
As at March 31, 2015	458,478	18,969	6,879	6,746,554	1,083,075	907,167	9,221,122
Charge for the year	475,426	325,366	114,600	4,538,452	465,434	344,919	6,264,197
Eliminated on disposal during the year	-	-	-	-	(19,662)	(135,544)	(155,206)
As at March 31, 2016	933,904	344,335	121,479	11,285,006	1,528,847	1,116,542	15,330,113
Carrying value as at March 31, 2016	8,608,495	4,377,467	451,521	30,594,466	787,472	756,353	45,575,774
Carrying value as at March 31, 2015	9,019,656	1,992,325	566,121	29,659,813	1,065,681	640,683	42,944,279

Notes:

- Building improvements represents office building and factory boundary wall on Plot no.11 NR 28 leased from Higher Corporation for Specialised Economic Zones (Zone Corp), located in ICAD III, Abu Dhabi - United Arab Emirates.
- Motor vehicles includes AED 309,200 (2015: AED 72,500) being cost of 4 (2015: 1) vehicles hypothecated against finance leases (note 15b).
- Depreciation includes AED 4,538,452 (2015: AED 5,724,444) charged to cost of revenue (note 17).

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	2016	2015
5 Inventories		
Raw materials	60,659,904	70,710,897
Spares and consumables	14,269,645	14,614,597
Work in progress	4,155,959	13,558,786
Finished goods	30,191,462	29,972,452
	<u>109,276,970</u>	<u>128,856,732</u>

The above inventories are net of AED 1,139,325 (2015: Nil) being expense in respect of write down of inventories to its net releasable value.

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

6 Related party transactions

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

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

	2016	2015
a) Due from a related party		
<i>Entities under common management and control</i>		
M/s. Jindal Saw Italia SPA - Italy	7,721,778	-
M/s. Jindal Saw Espana - Spain	-	1,410,063
	<u>7,721,778</u>	<u>1,410,063</u>
b) Due to related parties		
<i>Entities under common management and control</i>		
M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.	102,540,107	53,166,937
M/s. Sathi International FZE, Ras Al Khaimah - U.A.E.	4,317,652	-
M/s. Jindal Saw Pipe Line Solutions - United Kingdom	-	830,606
M/s. Jindal Fittings Ltd. - India	84,646	-
M/s. JITF Waterways Limited - India	-	675,533
M/s. Jindal Saw Ltd. - India	4,023,319	6,578,976
	<u>110,965,724</u>	<u>61,252,052</u>

c) Transactions with related parties

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

	For the year ended March 31,	
	2016	2015
Interest expense (note 21)	6,819,458	8,996,319
Sales	38,558,541	20,574,910

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

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

	For the year ended March 31,	
	2016	2015
Plant and machinery lease rent* (note 17)	25,000,000	20,000,000
Scrap sales (note 18)	-	222,786
Purchases (note 17)	57,809,123	68,033,496
Freight charges paid	-	675,533

* The above represents lease rent charged by a related party (M/s. Jindal Saw Middle East FZC) on factory building, machineries and equipment which is being leased to the Entity.

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

	2016	2015
7 Trade receivables		
Trade receivables: Outside U.A.E.	19,935,485	85,390,010

Of the trade receivables as at March 31, 2016, there are 5 (2015: 5) customers representing 86% (2015: 87%) of the trade receivables.

The above trade receivables are assigned against credit facilities (note 15a).

Ageing of trade receivables:

Neither past due nor impaired	19,728,337	85,182,862
-------------------------------	------------	------------

Past due but not impaired:

Due for more than 12 months	207,148	207,148
	19,935,485	85,390,010

8 Advances, deposits and other receivables

Prepayments	1,331,567	1,656,825
Advances paid for land lease	1,748,813	2,487,441
Guarantee deposits	2,336,422	2,497,903
Advances to suppliers	7,733,852	2,441,989
Staff loans and advances	308,138	250,863
Other receivables	769,039	1,978,799
	14,227,831	11,313,820

9 Cash and bank balances

Cash in hand	23,842	33,535
Cash at banks	1,449,457	2,963,020
	1,473,299	2,996,555

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

10 Share capital

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

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

<u>Name of shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>No. of shares</u>	<u>2016</u>	<u>2015</u>
Mr. Ali Ahmed Saleh Amer Shujaa Al Afifi	U.A.E.	51	153	153,000	153,000
M/s. Jindal Saw Middle East FZC (represented by Mr. Sanjay Kumar Aggarwal)	U.A.E.	49	147	147,000	147,000
		<u>100</u>	<u>300</u>	<u>300,000</u>	<u>300,000</u>
				2016	2015

11 Accumulated (losses)

Balance at the beginning of the year	(35,823,884)	(34,804,515)
(Loss) for the year	(34,431,547)	(1,019,369)
Balance at the end of the year	(70,255,431)	(35,823,884)

12 Shareholder's current account

Balance at the beginning of the year	179,818,824	192,526,454
Net movements during the year	(39,385,815)	(12,707,630)
Balance at the end of the year	140,433,009	179,818,824

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

13 Employees' end of service benefits

Balance at the beginning of the year	1,495,413	1,086,837
Add: Charge for the year	737,596	581,494
Less: Paid during the year	(139,404)	(172,918)
Balance at the end of the year	2,093,605	1,495,413

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

14 Trade and other payables

Trade payables	8,620,052	18,794,490
Provisions and accruals	3,221,351	3,014,680
Advances received from customers	428,704	1,372,138
Other payables	1,696,957	3,767,889
	13,967,064	26,949,197

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	<u>2016</u>	<u>2015</u>
15 Bank borrowings		
a) Due to banks		
Trust receipts	<u>504,983</u>	<u>38,880,346</u>
Bank borrowings are secured by:		
i) Corporate guarantee of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E.		
ii) Assignment of property all risks insurance policy of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.		
iii) Commercial mortgage of M/s. Jindal Saw Middle East FZC, Fujairah - U.A.E. and M/s. Jindal Saw Gulf (L.L.C.), Abu Dhabi - U.A.E.		
iv) Charge over inventories (note 5).		
v) Charge over trade receivables (note 7).		
b) Vehicle loan		
Balance at the beginning of the year	39,511	52,854
Addition during the year	236,700	-
Less: Paid during the year	(74,028)	(13,343)
Balance at the end of the year	<u>202,183</u>	<u>39,511</u>
Comprising:		
Current portion	59,172	17,004
Non-current portion	<u>143,011</u>	<u>22,507</u>
	<u>202,183</u>	<u>39,511</u>
Vehicle loan installments are secured by charge over specific assets (note 4).		
Bank borrowings - short term liabilities		
Due to banks (refer a)	504,983	38,880,346
Vehicle loan (refer b)	59,172	17,004
	<u>564,155</u>	<u>38,897,350</u>
Bank borrowings - long term liabilities		
Vehicle loan (refer b)	<u>143,011</u>	<u>22,507</u>
Total bank borrowings	<u>707,166</u>	<u>38,919,857</u>
	For the year ended March 31,	
	<u>2016</u>	<u>2015</u>
16 Revenue		
Sales: Outside U.A.E.	239,863,184	357,064,493
: Within U.A.E.	<u>16,623,249</u>	<u>17,888,521</u>
	<u>256,486,433</u>	<u>374,953,014</u>

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	For the year ended March 31,	
	2016	2015
17 Cost of revenue		
Cost of goods manufactured		
Opening inventories - raw materials, spares and consumables	85,325,494	71,611,823
Purchases (including direct cost)	138,161,157	259,575,425
Less: Closing inventories - raw materials, spares and consumables	<u>(74,929,549)</u>	<u>(85,325,494)</u>
Raw material consumed	148,557,102	245,861,754
Utilities	14,863,053	16,397,137
Direct labour	28,356,744	27,656,845
Manufacturing overhead	5,263,118	8,500,966
Plant and machinery lease rent (note 6)	25,000,000	20,000,000
Depreciation on property, plant and equipment (note 4)	<u>4,538,452</u>	<u>5,724,444</u>
Manufacturing cost	226,578,469	324,141,146
Opening work-in-progress	13,558,786	5,429,210
Less: Closing work-in-progress	<u>(4,155,959)</u>	<u>(13,558,786)</u>
Cost of goods manufactured	235,981,296	316,011,570
Opening inventories - finished goods	29,972,452	29,102,697
Less: Closing inventories - finished goods	<u>(30,191,462)</u>	<u>(29,972,452)</u>
	<u>235,762,286</u>	<u>315,141,815</u>
Cost of revenue includes AED 1,139,325 (2015: Nil) being expense in respect of write down of inventories to its net reliable value.		
18 Other income		
Scrap sales (note 6)	493,813	482,320
Foreign exchange gain	238,567	-
Gain on sale of property plant and equipment	77,342	467
Miscellaneous income	<u>572,498</u>	<u>637,592</u>
	<u>1,382,220</u>	<u>1,120,379</u>
19 Selling and distribution expenses		
Distribution cost	17,504,950	22,175,709
Advertisement and marketing	656,251	769,952
Commission on sales	<u>11,196,465</u>	<u>5,608,934</u>
	<u>29,357,666</u>	<u>28,554,595</u>

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

	For the year ended March 31,	
	2016	2015
20 Administrative expenses		
Salaries and related benefits	7,089,186	6,914,211
Rent	5,361,318	5,592,051
Legal, visa, professional and related expenses	820,253	1,441,017
Travelling and conveyance	690,918	994,233
Repairs and maintenance	162,279	535,455
Utilities	459,682	507,128
Telephone and communications	460,546	503,144
Depreciation on property, plant and equipment (note 4)	1,725,745	1,181,936
Foreign exchange loss	-	994,903
Insurance	1,107,459	820,261
Others	673,541	438,515
	18,550,927	19,922,854
21 Finance costs		
Interest *	7,589,909	11,523,669
Bank charges	1,039,412	1,949,829
	8,629,321	13,473,498

* The above includes AED 6,819,458 (2015: AED 8,996,319) being interest paid to a related party (M/s. Jindal Saw Middle East FZC) for the use of working capital facility (note 6).

22 Financial instruments*a) Significant accounting policies*

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

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,	
	2016	2015	2016	2015
	Carrying amount		Fair value	
<i>Financial assets</i>				
Trade receivables	19,935,485	85,390,010	19,935,485	85,390,010
Other receivables	3,413,599	4,727,565	3,413,599	4,727,565
Due from a related party	7,721,778	1,410,063	7,721,778	1,410,063
Cash and bank balances	1,473,299	2,996,555	1,473,299	2,996,555
	32,544,161	94,524,193	32,544,161	94,524,193

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

22 Financial instruments (continued)

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

	As at March 31,		As at March 31,	
	2016	2015	2016	2015
	Carrying amount		Fair value	
<i>Financial liabilities</i>				
Bank borrowings	707,166	38,919,857	707,166	38,919,857
Trade and other payables	13,538,360	25,577,059	13,538,360	25,577,059
Due to related parties	110,965,724	61,252,052	110,965,724	61,252,052
	<u>125,211,250</u>	<u>125,748,968</u>	<u>125,211,250</u>	<u>125,748,968</u>

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

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

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

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

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

23 Financial risk management objectives

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

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

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.

23 Financial risk management objectives (continued)

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 Arab Emirates Dirhams or currencies to which the Dirhams is fixed are as follows:

	Amounts in Foreign currency		Amounts in AED	
	2016	2015	2016	2015
Euro	757,728	401,435	3,167,303	1,585,670
SAR	10,743	3,228	10,978	3,172

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.

	Profit or loss	
	2016	2015
Euro	316,730	158,567
SAR	1,098	317

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

23 Financial risk management objectives (continued)

c) *Liquidity risk management (continued)*

Liquidity and interest risk tables (continued)

Particulars	Non Interest bearing			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	
As at March 31, 2016							
Financial assets							
Trade receivables	-	-	-	-	19,935,485	-	19,935,485
Due from a related party	-	-	-	-	7,721,778	-	7,721,778
Other receivables	-	-	-	-	3,413,599	-	3,413,599
Cash and bank balances	-	-	-	1,473,299	-	-	1,473,299
	-	-	-	1,473,299	31,070,862	-	32,544,161
Financial liabilities							
Bank borrowings	504,983	59,172	143,011	-	-	-	707,166
Trade and other payables	-	-	-	-	13,538,360	-	13,538,360
Due to related parties	-	-	-	-	110,965,724	-	110,965,724
	504,983	59,172	143,011	-	124,504,084	-	125,211,250
As at March 31, 2015							
Financial assets							
Trade receivables	-	-	-	-	85,390,010	-	85,390,010
Other receivables	-	-	-	-	4,727,565	-	4,727,565
Due from a related party	-	-	-	-	1,410,063	-	1,410,063
Cash and bank balances	-	-	-	2,996,555	-	-	2,996,555
	-	-	-	2,996,555	91,527,638	-	94,524,193
Financial liabilities							
Bank borrowings	38,880,346	17,004	22,507	-	-	-	38,919,857
Trade and other payables	-	-	-	-	25,577,059	-	25,577,059
Due to related parties	-	-	-	-	61,252,052	-	61,252,052
	38,880,346	17,004	22,507	-	86,829,111	-	125,748,968

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 and the Entity maintains an allowance for doubtful debts based on expected collectability of all trade receivables.

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

Jindal Saw Gulf (L.L.C.)

Abu Dhabi - United Arab Emirates

Notes to the financial statements for the year ended March 31, 2016

(In Arab Emirates Dirhams)

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

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

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

24 Capital risk management

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

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

25 Contingent liabilities

Letters of credit

Letters of guarantee

As at March 31,	
2016	2015
793,087	3,810,249
<u>2,237,914</u>	<u>2,031,737</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 the Entity's financial statements as of the reporting date.

26 Commitments

Non-cancelable operating lease commitments

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

Not longer than 1 year

Longer than 1 year and not longer than 5 years

Longer than 5 years

As at March 31,	
2016	2015
4,622,691	5,592,050
<u>18,490,764</u>	<u>22,368,200</u>
<u>87,831,129</u>	<u>114,024,142</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 commitment on the Entity's financial statements as of the reporting date.

27 Comparative amounts

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