

ELECTROSTEEL CASTINGS GULF FZE

Financial statements and independent auditor's report
Year ended 31 March 2016

ELECTROSTEEL CASTINGS GULF FZE

Financial statements and independent auditor's report Year ended 31 March 2016

CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	1 & 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 – 19

INDEPENDENT AUDITOR'S REPORT

The Shareholder

ELECTROSTEEL CASTINGS GULF FZE

Report on the financial statements

We have audited the accompanying financial statements of **ELECTROSTEEL CASTINGS GULF FZE**, which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 3 to 19.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for their compliance with the Implementing Regulation No. 1/92 issued by Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 judgment, 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 of the financial statements that give true and fair view 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.

continued...

INDEPENDENT AUDITOR'S REPORT
(continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **ELECTROSTEEL CASTINGS GULF FZE** as at 31 March 2016, and of 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

We confirm that the financial statements comply with Implementing Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.



PKF
Dubai
United Arab Emirates
4 May 2016

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 AED	2015 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,000	2,000
Non-current financial assets	7	104,340	104,340
		<u>105,340</u>	<u>106,340</u>
Current assets			
Inventories	8	7,635,752	3,607,031
Short term loans to related parties	9	1,646,390	566,169
Trade and other receivables	10	17,007,298	624,855
Cash and cash equivalents	12	5,914,316	486,591
		<u>32,203,756</u>	<u>5,284,646</u>
Total assets		<u>32,309,096</u>	<u>5,390,986</u>
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	13	1,000,000	1,000,000
Retained earnings		4,910,361	907,043
		<u>5,910,361</u>	<u>1,907,043</u>
Current liabilities			
Trade and other payables	14	26,398,735	3,483,943
Total liabilities		<u>26,398,735</u>	<u>3,483,943</u>
Total equity and liabilities		<u>32,309,096</u>	<u>5,390,986</u>

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Authorised for issue by the shareholder on 27 April 2016.

For **ELECTROSTEEL CASTINGS GULF FZE**

Agawal

MANAGER

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 AED	2015 AED
Revenue		34,881,066	1,551,062
Purchases of inventory		(28,510,951)	(4,342,686)
Changes in inventories		137,521	3,038,788
Gross profit		6,507,636	247,164
Other operating income	16	1,467,274	377,502
Staff costs	17	(380,850)	--
Depreciation		(1,000)	(1,000)
Other operating expenses	18	(3,589,742)	(227,011)
PROFIT FOR THE YEAR		4,003,318	396,655
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,003,318	396,655

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital AED	Retained earnings AED	Total AED
Balance at 1 April 2014	1,000,000	510,388	1,510,388
Total comprehensive income for the year	--	396,655	396,655
Balance at 31 March 2015	1,000,000	907,043	1,907,043
Total comprehensive income for the year	--	4,003,318	4,003,318
Balance at 31 March 2016	1,000,000	4,910,361	5,910,361

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

The report of the independent auditor is set forth on pages 1 and 2.

ELECTROSTEEL CASTINGS GULF FZE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	2016 AED	2015 AED
Cash flows from operating activities		
Profit for the year	4,003,318	396,655
Adjustments for:		
Depreciation of property, plant and equipment	1,000	1,000
	<u>4,004,318</u>	<u>397,655</u>
Increase in inventories	(4,028,721)	(3,279,372)
Increase in trade and other receivables	(16,382,443)	(591,730)
Increase in trade and other payables	22,914,792	3,143,904
Net cash from/(used in) operating activities	<u>6,507,946</u>	<u>(329,543)</u>
Cash flows from financing activities		
Increase in short term loan to a related party	(1,080,221)	—
Net cash used in financing activities	<u>(1,080,221)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	5,427,725	(329,543)
Cash and cash equivalents at beginning of year	486,591	816,134
Cash and cash equivalents at end of year (note 12)	<u>5,914,316</u>	<u>486,591</u>

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 and 2.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **ELECTROSTEEL CASTINGS GULF FZE (the "establishment")** is a free zone establishment with limited liability registered in the Jebel Ali Free Zone pursuant to Law No. 9 of 1992 of late H.H. Shaikh Maktoum Bin Rashid Al Maktoum, the former Ruler of Dubai. The registered address is office no. TPOFCA0237, Jebel Ali, Dubai, UAE. The establishment was registered on 2 August 2012 and commenced operations since then.
- b) The establishment trades in basic steel products, non-ferrous metal products, bolts, nuts, screws and building metal products, pipes and fittings, reinforcement steel bars and building and construction materials.
- c) The establishment is a wholly owned subsidiary of Electrosteel Castings Limited, (**"the parent company"**), a company incorporated in India, which is considered by the directors to be the ultimate parent company.

2. BASIS OF PREPARATION

a) **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1 January 2015, and the requirements of the Implementing Regulation No. 1/92 issued by Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992.

b) **Basis of measurement**

The financial statements are prepared using historical cost. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) **Adoption of new International Financial Reporting Standards**

Standards and interpretations effective for the current year

The International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the establishment are as follows:

- Annual Improvements 2010–2012 Cycle
 - IFRS 13: Fair value measurement: Short-term receivables and payables
- The amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the establishment.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IAS 16: Property, Plant and Equipment: 'Clarification of Acceptable Methods of Depreciation (1 January 2016)
The amendments provide additional guidance on how the depreciation of property, plant and equipment should be calculated. The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. This presumption can only be rebutted in very limited circumstances.
- Amendments to IAS 1 Disclosure Initiative (1 January 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify existing IAS 1 requirements in relation to :
 - The materiality requirements in IAS 1.
 - That specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
 - That entities have flexibility as to the order in which they present the notes to financial statements.
 - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- IFRS 9: Financial instruments: (1 January 2018)
IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.
- IFRS 15: Revenue from Contracts with Customers (1 January 2018)
The International Accounting Standard Board (IASB) has published its new revenue Standard, IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

- **IFRS 16: Leases (1 January 2019)**

IFRS 16 introduces a number of significant changes to lease accounting model. It eliminates the classification of leases as either operating lease or finance lease for a lessee and instead all the leases are treated similar to a finance lease. The standard however, does not require an entity to recognise assets and liabilities for a) Short- term leases (for a period of twelve months or less) and b) Leases of low value assets.

d) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED"), which is also the establishment's functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value of furniture, fixture and office equipment, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of four years.

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 expenditure will flow to the establishment and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the establishment recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is derecognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

b) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Goods in transit represents the inventory over which establishment has legal title based on terms of purchase, but which are physically not received at the establishment's warehouse.

c) **Revenue**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the establishment and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, returns and other similar allowances.

Sale of goods

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that significant risks and rewards of ownership have been transferred to the buyer.

The sales also include high sea sales, i.e. the supplier ships goods directly to the customers. Revenue is recognised when significant risks and rewards relating to the ownership of goods concerned are transferred to the customer and is based on amount invoiced to customers for high sea sales made during the year.

Commission income

Commission income represents commission earned on service provided to customers.

d) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

e) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

f) **Provisions**

A provision is recognised when the establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

g) **Financial instruments**

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

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Financial assets

Loans and receivables

Non-current receivables

Non-current financial assets for which there is no active market, which comprise non-current loans receivable are classified as loans and receivables and stated at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts.

Related party receivables

Loan to shareholder and related parties are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Financial liabilities

At amortised cost

Trade and other payables

Trade and other payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Equity

Equity instruments issued by the establishment are recorded at the value of proceeds received towards interest in share capital of the establishment.

Impairment of financial assets

All financial assets are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognised in profit or loss.

Offsetting

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.

h) Fair value measurement

The establishment discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participant's would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

The fair value measurement of a non financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

4. **SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment

At each reporting date, management conducts an assessment of property, plant, equipment, and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

5. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

Key assumptions made 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 as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Impairment of loans and receivables

Management regularly undertakes a review of the amounts of loans and receivables owed to the establishment either from third parties (note 10) or from related parties (see note 11) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

6. PROPERTY, PLANT AND EQUIPMENT

		Furniture, fixtures and office equipment AED
Cost		
At 1 April 2014, 31 March 2015 and 31 March 2016		<u>4,000</u>
Accumulated depreciation		
At 1 April 2014		1,000
Depreciation		1,000
At 31 March 2015		<u>2,000</u>
Depreciation		1,000
At 31 March 2016		<u>3,000</u>
Carrying amount		
At 1 April 2014		<u>3,000</u>
At 31 March 2015		<u>2,000</u>
At 31 March 2016		<u>1,000</u>
	2016 AED	2015 AED

7. NON-CURRENT FINANCIAL ASSETS

Loan to a third party	<u>104,340</u>	<u>104,340</u>
-----------------------	----------------	----------------

This represents interest free long term loan to a third party without any fixed repayment schedule. It is not the intention of the management to demand repayment of the loan within one year from the reporting date.

8. INVENTORIES

Goods held for sale	<u>3,176,309</u>	3,038,788
Goods in transit	<u>4,459,443</u>	568,243
	<u>7,635,752</u>	<u>3,607,031</u>

9. SHORT TERM LOANS TO RELATED PARTIES

Loan to a shareholder	<u>566,169</u>	566,169
Loan to a related party	<u>1,080,221</u>	—
	<u>1,646,390</u>	<u>566,169</u>

The above loans are interest free and with no fixed repayment schedule.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 AED	2015 AED
10. TRADE AND OTHER RECEIVABLES		
Trade receivables	15,482,816	44,446
Advances	22,104	169,219
Prepayments	191,077	19,005
Deposits	23,505	6,797
Other receivables	1,287,796	385,388
	17,007,298	624,855

At the reporting date, there are no trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery.

Trade receivables not past due and not impaired	15,482,816	44,446
---	-------------------	---------------

The company holds letters of credit amounting to AED 14,734,935 (previous year AED Nil) as security against not past due and not impaired receivables.

11. RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and at prices determined by the management.

Related parties comprise the parent/ultimate parent company, companies under common ownership and shareholders.

At the reporting date significant balances with related parties were as follows:

	Ultimate parent company AED	Companies under common ownership AED	Total 2016 AED	Total 2015 AED
Trade and other receivables	1,287,796	745,158	2,032,954	
	385,388	--		385,388
Trade and other payables	24,854,134	383,517	25,237,651	
	3,461,904	--		3,461,904
Short term loans	566,169	1,080,221	1,646,390	
	566,169	--		566,169

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 9 and 19.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Significant transactions with related parties during the year were as follows:

	Ultimate parent company AED	Companies under common ownership AED	Total 2016 AED	Total 2015 AED
Commission income	1,467,274	--	1,467,274	
	377,502	--		377,502
Purchases	25,962,263	383,517	26,345,780	
	4,201,533	--		4,201,533
Commission expenses	--	90,874	90,874	
	--	--		--

The establishment also provides funds to/receives funds from related parties as short term financial need free of interest.

	2016 AED	2015 AED
12. CASH AND CASH EQUIVALENTS		
Bank balance in current account	5,914,316	486,591
13. SHARE CAPITAL		
Issued and paid up:		
1 share of AED 1,000,000 held by Electrosteel Castings Limited, a company registered in India.	1,000,000	1,000,000
14. TRADE AND OTHER PAYABLES		
Trade payables	26,107,740	3,461,904
Accruals	50,834	12,503
Advance received from customers	24,852	--
Other payables	215,309	9,536
	26,398,735	3,483,943

The entire trade and other payables are due for settlement in one year.

15. MANAGEMENT OF CAPITAL

The establishment's objectives when managing capital are to ensure that the establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position together with short-term loans to related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The establishment is subject to externally imposed capital requirements as per the provision of the Implementing Regulation No 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No 9 of 1992. The establishment has complied with all capital requirements to which it is subject.

Funds generated from internal accruals together net of funds provided to related parties are retained in the business according to the business requirements and maintain capital at desired levels.

	2016 AED	2015 AED
16. OTHER OPERATING INCOME		
Commission income	1,467,274	377,502
17. STAFF COSTS		
Staff salaries and benefits	380,850	--
18. OTHER OPERATING EXPENSES		
Operating lease expenses	154,853	96,690
Carriage outward	2,196,306	14,926
Commission expenses	306,184	27,319
Business travel expenses	177,627	--
Other expenses	754,772	88,076
	3,589,742	227,011

19. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	Loans and receivables		At amortised cost	
	2016 AED	2015 AED	2016 AED	2015 AED
Non-current financial assets	104,340	104,340	--	--
Trade and other receivables	16,794,117	436,631	--	--
Cash and cash equivalents	5,914,316	486,591	--	--
Short term loans to related parties	1,646,390	566,169	--	--
Trade and other payables	--	--	26,158,574	3,483,943
	24,459,163	1,593,731	26,158,574	3,483,943

Management of risks

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the establishment's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the establishment, issued by high credit quality financial institutions.

Management continuously monitors its cash flows to determine its cash requirements in order to manage exposure to liquidity risk.

The establishment buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US Dollars to which the UAE Dirham is pegged.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the establishment to concentrations of credit risk comprise principally non-current loans receivable, bank accounts, trade and other receivables, short term loans to related parties.

The establishment's bank accounts are placed with high credit quality financial institutions.

Non-current financial assets, trade and other receivables and loan to related parties are stated net of the allowance for doubtful recoveries. At the reporting date, the establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2016 AED	2015 AED
GCC countries		
Non-current financial assets	104,340	104,340
Short term loan to related parties	1,080,221	-
Trade receivables	15,469,476	-
Asian countries		
Short term loan to shareholder	566,169	566,169
Other receivables	1,287,796	385,388

At the reporting date, 84% of trade receivables were due from three customers (previous year 100% from one customer).

ELECTROSTEEL CASTINGS GULF FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

At the reporting date, there was no significant concentration of credit risk from customers outside the industry in which the establishment operates.

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

Interest rate risk

At the reporting date, the establishment was not exposed to any significant interest rate risk.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the establishment's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values, except for long term loan to a third party, which due to its terms, has fair value lower than its carrying value.

For **ELECTROSTEEL CASTINGS GULF FZE**



MANAGER