

TATA WEST ASIA FZE

**Financial statements and independent auditor's report
Year ended 31 March 2015**

TATA WEST ASIA FZE

Financial statements and independent auditor's report Year ended 31 March 2015

| 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 TATA WEST ASIA FZE

Report on the financial statements

We have audited the accompanying financial statements of **TATA WEST ASIA FZE**, which comprise the statement of financial position as at 31 March 2015, 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 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 qualified audit opinion.

continued...

INDEPENDENT AUDITOR'S REPORT

(continued)

Basis for qualified opinion

As stated in note 7 to the financial statements, no provision has been made in respect of overdue balances amounting to AED 8,307,184 due from customers as the management is in the process of recovering the same through legal means and the management is confident about its recovery in due course.

Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of **TATA WEST ASIA FZE** as at 31 March 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 23 to these financial statements, which states that as at the reporting date, the establishment is not in compliance with a covenant of minimum tangible net worth of AED 2,600,000. The shareholder has agreed to provide alternative funding to the establishment to continue its operations for the foreseeable future.

Report on other legal and regulatory requirements

As stated in Note 20 to the financial statements, the net assets of the establishment are below 75% of its share capital, the directors are required to take steps to intimate the Jebel Ali Free Zone Authority and remedy the situation in accordance with the Implementation Procedures issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992,.

We further confirm that except for the matter stated above, 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

PKF

Dubai

United Arab Emirates

26 April 2015

TATA WEST ASIA FZE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

| | Notes | 2015 AED | 2014 AED |
|---------------------------------------------|-------|-------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 11,699 | 20,300 |
| Current assets | | | |
| Trade and other receivables | 7 | 13,420,093 | 13,436,000 |
| Other current financial assets | 8 | 81,209 | 81,209 |
| Cash and cash equivalents | 9 | 1,553,935 | 2,491,925 |
| | | <u>15,055,237</u> | <u>16,009,134</u> |
| Total assets | | <u>15,066,936</u> | <u>16,029,434</u> |
| EQUITY AND LIABILITIES | | | |
| Shareholder's funds | | | |
| Share capital | 10 | 11,000,000 | 3,000,000 |
| Accumulated losses | | (8,620,504) | (8,728,820) |
| Equity funds/(deficit) | | <u>2,379,496</u> | <u>(5,728,820)</u> |
| Loan from shareholder | 11 | 78,400 | 8,078,400 |
| Total shareholder's funds | | <u>2,457,896</u> | <u>2,349,580</u> |
| Non-current liabilities | | | |
| Provision for staff end-of-service benefits | 12 | 297,164 | 259,407 |
| Current liabilities | | | |
| Trade and other payables | 13 | 9,619,771 | 10,728,342 |
| Amount due to a related party | 14 | 2,692,105 | 2,692,105 |
| | | <u>12,311,876</u> | <u>13,420,447</u> |
| Total liabilities | | <u>12,609,040</u> | <u>13,679,854</u> |
| Total equity and liabilities | | <u>15,066,936</u> | <u>16,029,434</u> |

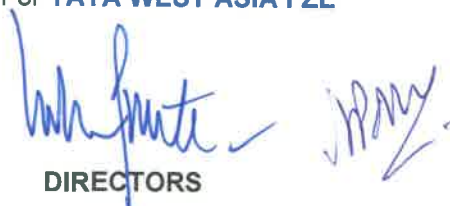
The accompanying notes form an integral part of these financial statements.

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 directors on 19 April 2015.

For TATA WEST ASIA FZE


DIRECTORS

TATA WEST ASIA FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

| | Notes | 2015 AED | 2014 AED |
|------------------------------------------------|-------|------------------|-------------|
| Revenue | | -- | 6,245,631 |
| Purchases of inventory | | -- | (3,240,591) |
| Changes in inventories | | -- | (4,165,495) |
| Gross loss | | -- | (1,160,455) |
| Other operating income | 16 | 236,641 | 1,427,175 |
| Staff costs | 17 | -- | (1,979) |
| Depreciation | 6 | (8,601) | (12,849) |
| Other operating expenses | 18 | (119,724) | (216,387) |
| Finance costs | 19 | -- | (31,621) |
| PROFIT FOR THE YEAR | | 108,316 | 3,884 |
| Other comprehensive income: | | | |
| Other comprehensive income for the year | | -- | -- |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 108,316 | 3,884 |

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.

TATA WEST ASIA FZE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

| | Share Capital AED | Accumulated losses AED | Total AED |
|-----------------------------------------|----------------------------------|---------------------------------------|----------------------|
| Balance at 1 April 2013 | 3,000,000 | (8,732,704) | (5,732,704) |
| Total comprehensive income for the year | -- | 3,884 | 3,884 |
| Balance at 31 March 2014 | 3,000,000 | (8,728,820) | (5,728,820) |
| Issue of share capital (notes 10 & 11) | 8,000,000 | -- | 8,000,000 |
| Total comprehensive income for the year | -- | 108,316 | 108,316 |
| Balance at 31 March 2015 | 11,000,000 | (8,620,504) | 2,379,496 |

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.

TATA WEST ASIA FZE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

| | 2015 AED | 2014 AED |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit for the year | 108,316 | 3,884 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 8,601 | 12,849 |
| Finance costs | -- | 31,621 |
| Provision for end-of-service benefits | 103,807 | 144,300 |
| | <u>220,724</u> | <u>192,654</u> |
| Decrease in inventories | -- | 4,165,495 |
| Decrease in trade and other receivables | 15,907 | 10,851,544 |
| Decrease in trade and other payables | (1,108,571) | (6,750,519) |
| Staff end-of- service benefits paid | (66,050) | (110,739) |
| Cash (used in)/generated from operations | <u>(937,990)</u> | <u>8,348,435</u> |
| Interest paid | -- | (31,621) |
| Net cash (used in)/ generated from operating activities | <u>(937,990)</u> | <u>8,316,814</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | -- | (16,686) |
| Net cash used in investing activities | <u>--</u> | <u>(16,686)</u> |
| Cash flows from financing activities | | |
| Payments of trust receipts (net) | -- | (7,839,078) |
| Net cash used in financing activities | <u>--</u> | <u>(7,839,078)</u> |
| Net (decrease)/increase in cash and cash equivalents | (937,990) | 461,050 |
| Cash and cash equivalents at beginning of year | 2,491,925 | 2,030,875 |
| Cash and cash equivalents at end of year (note 9) | <u>1,553,935</u> | <u>2,491,925</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.

TATA WEST ASIA FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **TATA WEST ASIA FZE** is incorporated as a free zone establishment on 10 October 1993 in Jebel Ali Free Zone pursuant to Law No. 9 of 1992 of late H.H. Sheikh Maktoum Bin Rashid Al Maktoum, former ruler of Dubai and Implementing Regulations issued thereto by Jebel Ali Free Zone Authority. The registered office is P.O. Box 16980, Jebel Ali, Dubai, UAE.
- b) The establishment's principal activity consists of general trading in the United Arab Emirates and overseas. No revenue was generated by the entity during the year. However, the management has intention to resume the establishment's business activities in due course. On 1 April 2013, the establishment had entered into an agreement with Tata International Metal (UK) Limited (TIM-UK) for assisting TIM-UK in promotion and marketing of steel and related material for TIM-UK in the territory of Middle East and Africa. In consideration TIM-UK, will reimburse all the costs incurred by the establishment for providing the services. Further, apart from this arrangement, the shareholder has agreed to provide alternative funding to the establishment to continue for the foreseeable future.
- c) The establishment is a wholly owned subsidiary of Tata International Limited, a company incorporated in India, which is considered by the directors to be the 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 on or after 1 January 2014, and the requirements of Jebel Ali Free Zone Authority.

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.

- Amendments to IAS 32: Offsetting Financial Assets and financial Liabilities
The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and liabilities.

TATA WEST ASIA FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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.

- Annual Improvements 2010–2012 Cycle (1 July 2014)
 - 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.
 - IAS 24: Related Party Disclosures: Key management personnel
Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- 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 2017)
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.

d) **Functional and presentation currency**

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

TATA WEST ASIA FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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, where material of furniture, fixtures and office equipment and motor vehicles, are 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 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.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

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, 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.

d) **Service income**

Service income represents recovery of service charges for services rendered during the year as per agreed terms.

TATA WEST ASIA FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

e) **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.

f) **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.

g) **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.

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.

h) **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

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.

TATA WEST ASIA FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Other current financial assets

Other current financial assets which comprise deposits under encumbrance and deposits with a maturity date of more than three months from the date of deposit are classified as loans and receivables and stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances in bank current accounts.

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.

Related party payables

Related party payables and shareholder's loan account 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.

i) **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: