

WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2012

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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CORPORATE DATA

		Date of appointment	Date of resignation
DIRECTORS	: Madhvi Narain	9 June 2008	3 October 2011
	Ashvin Rishiraj Aukhjee	9 June 2008	3 October 2011
	Devendra Krishna Patil	9 June 2008	
	Brijgopal Jaju	10 August 2010	
	Shamneemkhan Abdoolakhan	3 October 2011	
	Naushad Ally Sohoboo	3 October 2011	
ADMINISTRATOR & SECRETARY	: Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis MAURITIUS		
REGISTERED OFFICE	: c/o Multiconsult Limited Rogers House 5, President John Kennedy Street Port Louis MAURITIUS		
AUDITORS	: Aejaz Nazir Associates & Co Chartered Certified Accountants 18, Dr Auguste Rouget Street Port Louis MAURITIUS		
BANKERS	: Standard Bank (Mauritius) Ltd 6th Floor, Medine Mews Building Chaussée Street Port Louis MAURITIUS		
	Standard Chartered Bank (Mauritius) Limited 6th Floor, Raffles Tower Cybercity Ebène MAURITIUS		

COMMENTARY OF THE DIRECTORS

The directors present their commentary, together with the audited financial statements of WELSPUN MAURITIUS HOLDINGS LTD (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITY

The Company was incorporated on 9 June 2008 and its principal activity is investment holding.

RESULTS AND DIVIDENDS

The results for the year are shown on page 7.

The directors did not recommend the payment of a dividend for the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's and the Group's directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

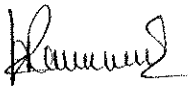
The directors have made an assessment of the Group's and the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

AUDITORS

The Auditors, Aejaz Nazir Associates & Co, have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting of the shareholders.

SECRETARY'S CERTIFICATE - FOR THE YEAR ENDED 31 MARCH 2012

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of WELSPUN MAURITIUS HOLDINGS LTD under the Mauritian Companies Act 2001 for the year ended 31 March 2012.

A handwritten signature in black ink, appearing to read "K. Kumar", written over a horizontal line.

Multiconsult Limited
Corporate Secretary

Date: 23 May 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the consolidated financial statements of WELSPUN MAURITIUS HOLDINGS LTD (the "Company") on pages 6 to 23 which comprise the consolidated statement of financial position at 31 March 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of the Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 auditors' 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements on pages 6 to 23 give a true and fair view of the consolidated financial position of the Company for the year 31 March 2012 and its financial performance and cash flows for the year ended on that date in accordance with International Financial Reporting Standards and with the requirements of the Mauritian Companies Act 2001.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES**

Report on the Financial Statements (Continued)

Other matters

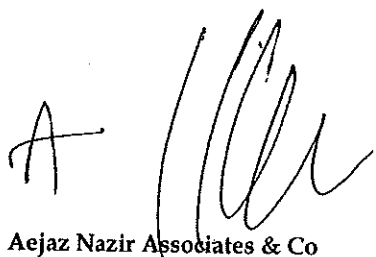
This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the Company other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



Aejaz Nazir Associates & Co
Chartered Certified Accountants
18, Dr Auguste Rouget Street
Port Louis
MAURITIUS

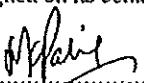
Represented by Aejaz Nazir, FCCA
Partner


Date: 23 May 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	The Group		The Company	
		2012 USD	2011 USD	2012 USD	2011 USD
Assets					
Non-current assets					
Investments	4	-	-	14,706,595	14,706,595
Loan receivables	6 (a)	602,261	-	53,775,928	-
Property, plant and equipment	5	131,033,761	114,789,835	-	-
		<u>131,636,022</u>	<u>114,789,835</u>	<u>68,482,523</u>	<u>14,706,595</u>
Current assets					
Other receivables	6 (b)	42,758,412	45,386,913	3,201,094	44,573,717
Cash at bank	14 (b)	5,552,150	998,930	10,401	448,884
Inventories	7	11,022,135	11,234,974	-	-
		<u>59,332,697</u>	<u>57,620,817</u>	<u>3,211,495</u>	<u>45,022,601</u>
Total current assets		<u>59,332,697</u>	<u>57,620,817</u>	<u>3,211,495</u>	<u>45,022,601</u>
Total assets		<u>190,968,719</u>	<u>172,410,652</u>	<u>71,694,018</u>	<u>59,729,196</u>
Equity and liabilities					
Capital and reserves					
Share capital	8	15,113,423	15,113,423	15,113,423	15,113,423
Capital contribution	9	32,450,000	-	32,450,000	-
Translation reserve	10	4,249	3,567	-	-
(Accumulated losses)/Revenue reserve		(3,497,698)	(317,483)	1,161,513	528,349
		<u>44,069,974</u>	<u>14,799,507</u>	<u>48,724,936</u>	<u>15,641,772</u>
Shareholders' interests		<u>44,069,974</u>	<u>14,799,507</u>	<u>48,724,936</u>	<u>15,641,772</u>
Non-controlling interest		<u>10,238,879</u>	<u>13,811,041</u>	<u>-</u>	<u>-</u>
Non current liabilities					
Borrowings	11 (a)	52,998,290	43,263,741	-	-
Employees end of service benefit		463,793	357,875	-	-
		<u>53,462,084</u>	<u>43,621,616</u>	<u>-</u>	<u>-</u>
Current liabilities					
Borrowings	11 (b)	22,000,000	44,000,000	22,000,000	44,000,000
Trade and other payables	12	61,178,211	56,161,665	949,510	70,601
Current income tax liability	13	19,571	16,823	19,571	16,823
		<u>83,197,782</u>	<u>100,178,488</u>	<u>22,969,081</u>	<u>44,087,424</u>
Total current liabilities		<u>83,197,782</u>	<u>100,178,488</u>	<u>22,969,081</u>	<u>44,087,424</u>
Total equity and liabilities		<u>190,968,719</u>	<u>172,410,652</u>	<u>71,694,018</u>	<u>59,729,196</u>

These financial statements have been approved by the Board of Directors on and signed on its behalf by:


.....
Devendra Krishna Patil


.....
Brijgopal Jaju

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	The Group		The Company	
		2012	2011	2012	2011
		USD	USD	USD	USD
Income					
Revenue		123,748,873	43,517,593	-	-
Less cost of sales		(118,356,927)	(36,005,307)	-	-
Gross profit		5,391,946	7,512,286	-	-
Interest income		331	3,448	2,261,386	803,723
Other income		1,713,490	419,017	33	-
		<u>7,105,767</u>	<u>7,934,751</u>	<u>2,261,419</u>	<u>803,723</u>
Expenses					
Secretarial fees		1,500	1,188	1,500	1,188
Professional fees		1,192,467	38,846	1,192,467	38,846
Licence fees		1,740	1,185	1,740	1,185
Audit fees		2,000	2,000	2,000	2,000
Accounting fees		4,000	4,700	4,000	4,700
Tax filing fees		1,250	1,500	1,250	1,500
Interest expense		403,430	204,910	403,430	204,910
Bank charges		4,352	1,719	1,797	1,719
Disbursements		500	550	500	550
General and administrative expenses		16,331	11,746	-	-
Employee related costs		3,739,288	5,760,342	-	-
Repairs and maintenance		22,617	470,952	-	-
Depreciation		1,017,568	613,577	-	-
Utilities		168,319	200,703	-	-
Other expenses		1,878,000	183,082	-	-
Rent expense		1,329,282	252,158	-	-
Travelling expense		256,175	288,149	-	-
Finance charges		3,797,926	1,029,287	-	-
Exchange Difference		2,509	-	-	-
		<u>13,839,254</u>	<u>9,066,595</u>	<u>1,608,684</u>	<u>256,598</u>
Loss before income tax		(6,733,487)	(1,131,844)	652,735	547,125
Income tax expense	13	(19,571)	(16,823)	(19,571)	(16,823)
Loss for the year		<u>(6,753,058)</u>	<u>(1,148,667)</u>	<u>633,164</u>	<u>530,302</u>
Other comprehensive income:					
Foreign currency translation differences		8,540	7,177	-	-
Total comprehensive (loss)/income for the year		<u>(6,744,518)</u>	<u>(1,141,490)</u>	<u>633,164</u>	<u>530,302</u>
Loss attributable to:					
Owners of the Company		(3,180,215)	(315,530)	633,164	530,302
Non controlling interest		(3,572,843)	(833,137)	-	-
Loss for the year		<u>(6,753,058)</u>	<u>(1,148,667)</u>	<u>633,164</u>	<u>530,302</u>
Total comprehensive loss attributable to:					
Owners of the Company		(3,180,215)	(315,530)	-	-
Non-controlling interest		(3,572,843)	(833,137)	-	-
		<u>(6,753,058)</u>	<u>(1,148,667)</u>	<u>-</u>	<u>-</u>

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

8.

	The Group		Non Controlling interest			
	Share capital USD	Capital contribution USD	Translation reserve USD	Accumulated losses USD	Total USD	Controlling interest USD
At 1 April 2010	2,120	1,567	-	(1,953)	1,734	-
Issue of shares	15,111,303	-	-	-	15,111,303	14,640,568
Capital contribution refunded	-	(1,567)	-	-	(1,567)	-
Total comprehensive loss for the year	-	-	-	(1,148,667)	(1,148,667)	(833,137)
Foreign currency translation differences	-	-	7,177	-	7,177	3,610
Share of Non Controlling interest	-	-	(3,610)	833,137	829,527	-
At 31 March 2011	15,113,423	-	3,567	(317,483)	14,799,507	13,811,041
Capital contribution	-	32,450,000	-	-	32,450,000	-
Loss for the year	-	-	-	(6,753,058)	(6,753,058)	(3,572,843)
Other comprehensive income:						
Foreign currency translation differences	-	-	1,363	-	1,363	681
Share of Non Controlling interest	-	-	(681)	3,572,843	3,572,161	-
At 31 March 2012	15,113,423	32,450,000	4,249	(3,497,698)	44,069,974	10,238,879

	The Company		(Accumulated deficit)/		
	Share capital USD	Capital contribution USD	Translation reserve USD	Revenue reserve USD	Total USD
At 1 April 2010	2,120	1,567	-	(1,953)	1,734
Issue of shares	15,111,303	-	-	-	15,111,303
Capital contribution refunded	-	(1,567)	-	-	(1,567)
Total comprehensive loss for the year	-	-	-	530,302	530,302
At 31 March 2011	15,113,423	-	-	528,349	15,641,772
Issue of shares	-	-	-	-	-
Capital contribution	-	32,450,000	-	-	32,450,000
Total comprehensive income for the year	-	-	-	633,164	633,164
At 31 March 2012	15,113,423	32,450,000	-	1,161,513	48,724,936

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	The Group		The Company	
		2012	2011	2012	2011
		USD	USD	USD	USD
Operating activities					
Cash generated/absorbed in operations	14 (a)	8,853,696	1,788,076	(319,056)	(52,118)
Net cash generated from/(absorbed in) operations		8,853,696	1,788,076	(319,056)	(52,118)
Cash flow from investing activities					
Acquisition of property, plant and equipment		(23,925,499)	(117,066,052)	-	(14,706,595)
Acquisition of investments		-	-	-	(14,706,595)
Net cash used in investing activities		(23,925,499)	(117,066,052)	-	(14,706,595)
Cash flow from financing activities					
Proceeds from issue of shares		-	29,751,871	-	15,111,303
Loan interest paid		(427,758)	(184,159)	(427,758)	(184,159)
Loan interest received		331	47,547	331	47,547
Loan granted to subsidiaries		-	(602,261)	(10,142,000)	(43,767,261)
Long term loans		9,602,450	57,174,563	-	44,000,000
Repayment of loan		(22,000,000)	-	(22,000,000)	-
Loan from related parties		-	30,089,177	-	-
Capital contribution/(Refund of Capital contribution)		32,450,000	(1,567)	32,450,000	(1,567)
Net cash from financing activities		19,625,023	116,275,172	(119,427)	15,205,863
Net increase in cash and cash equivalents		4,553,221	997,196	(438,483)	447,150
Movement in cash and cash equivalents					
At start of year		998,930	1,734	448,884	1,734
Net increase in cash and cash equivalents		4,553,221	997,196	(438,483)	447,150
Cash and cash equivalents at 31 March	14 (b)	5,552,150	998,930	10,401	448,884

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

1. GENERAL INFORMATION

WELSPUN MAURITIUS HOLDINGS LTD (the "Company") was incorporated in Mauritius, under the Companies Act 2001, on 9 June 2008, as a private company with limited liability by shares. The Company's registered office address is c/o Multiconsult Limited, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius. The principal activity of the Company is to act as an investment holding.

The Company holds a Category 1 Global Business Licence under the Financial Services Act 2007. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States dollar (USD) as its reporting currency.

The consolidated financial statements of the Company as at and for the year ended 31 March 2012, comprise of the Company and its subsidiaries (together referred to as the "Group").

The following are the subsidiaries of the Company:

1. Welspun Middle East Pipes Company
2. Welspun Middle East Pipes Coating Company
3. Welspun Middle East DMCC

Welspun Middle East Pipes Company is manufacturer of HSAW-Steel Pipes having manufacturing set up in DAMAM-Saudi Arabia.

Welspun Middle East Pipes Coating Company doing coating on pipes manufactured at Saudi Pipe Plant and having manufacturing set up in DAMAM-Saudi Arabia.

Welspun Middle East DMCC is a Marketing Arm formed in Dubai to do/perform marketing activities for Middle East of Welspun Group.

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in United States Dollar (USD), which is the Company's and Welspun Middle East DMCC's functional currency. Welspun Middle East Pipes Company and Welspun Middle East Pipes Coating Company primarily operate their business in Saudi Arabian Riyals (SAR) and thus SAR has been determined to be the functional currency of these two subsidiaries.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied in these consolidated financial statements, and have been applied consistently by Group entities

(a) Basis of consolidation

(i) Subsidiaries

The Group financial statements consolidate the result of the Company and its subsidiaries Welspun Middle East DMCC, Welspun Middle East Pipes Company and Welspun Middle East Pipes Coating Company in accordance with International Accounting Standards (IAS) 27.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income and reported within foreign exchange gains/(losses), net within results of operating activities. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign currency differences arising on translation are recognised in the profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States Dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the consolidated income statement as part of the profit or loss on disposal.

(c) Financial instruments

A financial instrument is recognised if the Group and the Company become a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's and the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e., the date that the Group and the Company commit itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's and the Company's obligation specified in the contract expire or are discharged or cancelled.

(i) Non-derivative Financial instruments

The non-derivative financial instruments of the Group comprise of loan receivables, trade and other receivables, cash and cash equivalents and trade and other payables and borrowings.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)***(c) Financial instruments (continued)***(ii) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(iii) Share capital*Ordinary shares*

Ordinary shares are classified as equity.

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity net of any tax effects.

Preference shares

Non-cumulative, non-convertible and redeemable preference shares are redeemable at the option of the Company. A preference share shall not carry voting rights except in case of any variation of rights attached to the shares. A preference share shall be entitled to dividends or other forms of distributions as the Board may declare.

iv) Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as non-current if their maturities are greater than twelve months after the reporting period. Loan receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest

v) Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment loss.

(vi) Trade and other payables

Trade and other payables are recognised at fair value, net of transaction costs incurred.

(vii) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the net redemption value is recognised in the income statement over the period of the borrowing using the effective interest noted.

*(d) Impairment***(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)***(d) Impairment (continued)******(i) Financial assets (continued)***

An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. In respect of other assets, impairment recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

(e) Revenue recognition

Dividends are recognised when the Group's and the Company's right to receive payment is established.

Bank interest and other interest income are recognised on an accrual basis using the effective interest method.

(f) Expense recognition

Expenses (including management fees and organisation fees) are accounted for in the consolidated statement of comprehensive income on an accrual basis.

(g) Net finance income

Net finance income comprises interest expense, interest income and foreign exchange gains / loss.

(h) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the Group and the Company or exercise significant influence over the Group and the Company in making financial and operating decisions or vice versa or where the Group and the Company is subject to common control or common significant influence.

(i) Provisions

A provision is recognised if, as a result of past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Income tax expense

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the statement of financial position date.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***(k) Property, plant and equipment**(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other operating expenses" / "other income", as the case may be, in profit or loss.

Expenditure incurred during construction period, which are directly attributable to the construction of a project / fixed asset for bringing it to its working condition are included in capital work in progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefit embodied in the asset.

The estimated useful lives of assets for the current period are as follows:

	Years
Buildings	20
Machinery and equipment	5-20
Furniture, fixtures and office equipments	3-5
Vehicles	5

*(l) Changes in accounting policy and disclosures**(i) New and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous year, except for the following new and amended IFRS and IFRIC interpretations effective as of 01 January 2010:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Changes in accounting policy and disclosures

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 01 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 01 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 01 July 2009
- Improvements to IFRSs (April 2009)
- IFRS 2 Share-based Payment (Revised)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

(ii) Improvements to IFRSs

Issued in April 2009

IFRS 8 Operating Segments Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

IAS 36 Impairment of Assets: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 01 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issue

The amendment to IAS 32 is effective for annual periods beginning on or after 01 February 2010 and changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

Standards issued but not yet effective (continued)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issue

The amendment to IAS 32 is effective for annual periods beginning on or after 01 February 2010 and changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the Board's work on the replacement of the IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 01 January 2013. In subsequent phases, the Board will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in mid 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, the Company determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 01 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have an impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 01 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

The directors anticipate that the adoption of the above standards on their effective dates will not have any material impact on the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

4. INVESTMENTS

(i) The Company

	2012 USD	2011 USD
At 31 March	<u>14,706,595</u>	<u>14,706,595</u>

Details of investments are as follows:

Name of company	Country of incorporation	Holdings	2012 USD	2011 USD
Welspun Middle East DMCC	United Arab Emirates	100%	62,000	62,000
Welspun Middle East Pipes Company	Saudi Arabia	50.01%	10,141,611	10,141,611
Welspun Middle East Pipes Coatings Company	Saudi Arabia	50.01%	<u>4,502,984</u>	<u>4,502,984</u>
			<u>14,706,595</u>	<u>14,706,595</u>

(ii) The Group

	2012 USD	2011 USD
At 31 March	<u>-</u>	<u>-</u>

5. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
	2011 USD	2011 USD	2011 USD	2011 USD	2011 USD	2011 USD
Cost:						
Additions	5,063,649	54,458,852	778,464	382,959	56,382,127	117,066,052
Transfers	-	20,273,776	-	-	(20,273,776)	-
As at 31 March 2011	<u>5,063,649</u>	<u>74,732,628</u>	<u>778,464</u>	<u>382,959</u>	<u>36,108,351</u>	<u>117,066,052</u>
Accumulated depreciation:						
Charge for the year	281,477	1,672,999	181,365	140,376	-	2,276,217
As at 31 March 2011	<u>281,477</u>	<u>1,672,999</u>	<u>181,365</u>	<u>140,376</u>	<u>-</u>	<u>2,276,217</u>
Net book value:						
As at 31 March 2011	<u>4,782,172</u>	<u>73,059,629</u>	<u>597,099</u>	<u>242,583</u>	<u>36,108,351</u>	<u>114,789,835</u>
	2012 USD	2012 USD	2012 USD	2012 USD	2012 USD	2012 USD
Cost:						
As at 1 April 2011	5,063,649	74,732,628	778,464	398,858	36,108,351	117,081,951
Additions	10,400,109	43,940,688	95,399	248,994	21,861,518	76,546,707
Transfers	-	-	-	-	(52,637,108)	(52,637,108)
As at 31 March 2012	<u>15,463,759</u>	<u>118,673,316</u>	<u>873,863</u>	<u>647,852</u>	<u>5,332,761</u>	<u>140,991,550</u>
Accumulated depreciation:						
As at 1 April 2011	281,477	1,672,999	181,365	140,376	-	2,276,217
Charge for the year	651,821	6,664,006	204,719	161,028	-	7,681,573
As at 31 March 2012	<u>933,298</u>	<u>8,337,005</u>	<u>386,083</u>	<u>301,404</u>	<u>-</u>	<u>9,957,790</u>
Net book value:						
As at 31 March 2012	<u>14,530,460</u>	<u>110,336,311</u>	<u>487,780</u>	<u>346,448</u>	<u>5,332,761</u>	<u>131,033,760</u>

The depreciation charge for the year has been allocated as follows:

	2012 USD	2011 USD
Cost of sales	6,664,006	1,662,640
Expenses	<u>1,017,568</u>	<u>613,577</u>
	<u>7,681,573</u>	<u>2,276,217</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

6. OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
<u>Non current assets</u>				
a) Loan term loan receivables	602,261	-	53,775,928	-
<u>Current assets</u>				
b) Trade and other receivables	42,758,412	1,744,259	3,067,760	806,456
Loan receivables	-	43,642,654	133,333	43,767,261
	42,758,412	45,386,913	3,201,094	44,573,717

Details of long term loan receivables are provided in Note 16.

7. INVENTORIES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Raw materials	6,001,325	5,209,131	-	-
Finished goods	2,829,969	5,521,530	-	-
Work in process	373,660			
Parts and consumables	1,817,181	504,313	-	-
	11,022,135	11,234,974	-	-

8. SHARE CAPITAL

	The Group		The Company	
	2012	2012	2011	2011
	Number	USD	Number	USD
<i>Issued and fully paid:</i>				
Ordinary shares of USD 1 each	113,455	113,455	113,455	113,455
Preference shares of USD 1 each	14,999,968	14,999,968	14,999,968	14,999,968
		15,113,423		15,113,423

The terms and conditions of the preference shares are highlighted in notes 19.

9. CAPITAL CONTRIBUTION

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
At 1 April	-	1,567	-	1,567
Additions	32,450,000	-	32,450,000	-
Refund of capital contribution	-	(1,567)	-	(1,567)
	32,450,000	-	32,450,000	-

The above capital contribution made during the year is towards subscription of the preference shares of the Company.

10. TRANSLATION RESERVE

The Translation reserve comprises all foreign currency differences arising from translation of the financial statements of the subsidiaries.

11. BORROWINGS

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
<u>(a) Non current liabilities</u>				
Related parties loans	52,998,290	43,263,741	-	-
	52,998,290	43,263,741	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

11. BORROWINGS (CONTINUED)

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
(b) Current liabilities				
Loan from Standard Chartered Bank (Mauritius) Limited	-	22,000,000	-	22,000,000
Loan from HSBC, Hong Kong	22,000,000	22,000,000	22,000,000	22,000,000
	<u>22,000,000</u>	<u>44,000,000</u>	<u>22,000,000</u>	<u>44,000,000</u>

The related parties loans are loans given by the shareholders of Welspun Middle East Pipes Coating Company and Welspun Middle East Pipes Company carrying interest rate of 5.25% per annum.

The loan from by HSBC, Hong Kong to the Company is remunerated at an interest of 0.5% plus the relevant three month Libor. The loan is repayable within one year.

The loan from Standard Chartered Bank (Mauritius) Limited to the Company has been fully repaid on 18 August 2011.

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Amount due to related parties	27,047,067	52,796,184	949,510	70,601
Accrued expenses	34,131,144	3,365,481	-	-
	<u>61,178,211</u>	<u>56,161,665</u>	<u>-</u>	<u>-</u>

13. TAXATION

	The Company	
	2012	2011
	USD	USD
Current tax on the adjusted profit for the year at 15%	19,571	16,823
At year end	<u>19,571</u>	<u>16,823</u>

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows :

	The Company	
	2012	2011
	USD	USD
Profit before taxation	652,735	547,125
Less exempt income	(364)	(3,448)
	<u>652,371</u>	<u>543,677</u>
Add non allowable expenses	-	19,024
	<u>652,371</u>	<u>562,701</u>
Tax loss b/f	-	(1,953)
	<u>652,371</u>	<u>560,748</u>
Tax calculated at a rate of 15%	97,856	84,113
Foreign tax credit (80%)	(78,285)	(67,290)
Income tax expense	<u>19,571</u>	<u>16,823</u>

The Company is incorporated in Mauritius and under current laws and regulations it is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income tax thus reducing its maximum effective tax rate to 3%.

The Company has received a certificate from the Mauritian tax authorities that it is tax resident in Mauritius.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

15. FINANCIAL INSTRUMENTS (CONTINUED)

*Financial risk management (continued)**Credit risk*

The Group and the Company take no exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial assets which potentially subject to the Group and the Company to concentrations of credit risk consist principally of bank balances. These assets are held in a number of reputable financial institutions. Accordingly, the Group and the Company has no significant concentration of credit risk.

The Group's and the Company's exposure to credit risk are limited to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

	The Group		The Company	
	2012	2011	2012	2011
ASSETS	USD	USD	USD	USD
Cash and cash equivalents	5,552,150	998,930	10,401	448,884
Trade and other receivables	42,751,982	45,380,483	3,194,664	44,567,287
	<u>48,304,132</u>	<u>46,379,413</u>	<u>3,205,064</u>	<u>45,016,170</u>

Liquidity risk

This refers to availability of funds for the Group and the Company to meet its financial obligations as they fall due. The Group and the Company pay out its obligations from finance received from its related company.

The maturity profile of the Group's and the Company's financial liabilities based on contractual cash flows is summarised as follows. The contractual cash flows approximate the carrying amounts.

(i) The Company

Non-derivative financial liabilities	Carrying amount	2012 Less than 1 year	More than 1 year	2011 Carrying amount
	USD	USD	USD	USD
Payables	949,510	949,510	-	70,601
Borrowings	22,000,000	22,000,000	-	44,000,000
At 31 March	<u>22,949,510</u>	<u>22,949,510</u>	<u>-</u>	<u>44,070,601</u>

(ii) The Group

Non-derivative financial liabilities	Carrying amount	2012 Less than 1 year	More than 1 year	2011 Carrying amount
	USD	USD	USD	USD
Payables	61,178,211	61,178,211	-	56,161,665
Borrowings	74,998,290	22,000,000	52,998,290	87,263,741
At 31 March	<u>136,176,501</u>	<u>83,178,211</u>	<u>52,998,290</u>	<u>143,425,406</u>

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conduct their investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

15. FINANCIAL INSTRUMENTS (CONTINUED)

*Financial risk management (continued)**Interest rate risk*

The Group's and the Company's financial assets and liabilities are non-interest bearing with the exception of cash and cash equivalents. However, since these are kept at a minimum level there is no significant interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Capital Management

The Company's primary objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern.

The Group and the Company define "capital" as including all components of equity. The amount of capital employed at 31 March 2012 was USD 54,308,853. The Group's and the Company's capital structure are regularly reviewed and managed with due regard to the capital management practices of the Group and the Company. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group and the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Group and the Company or the requirements of local regulation.

The Group and the Company were not subject to externally imposed capital requirements in the period under review.

16. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2012, the Group and the Company transacted with related party. The nature, volume and type of transactions with the party were as follows:

Company

Name of company	Nature of Relationship	Nature of transactions	Year ended 31-Mar-12 USD	Year ended 31-Mar-11 USD
Welspun Middle East Pipe Company LLC	Subsidiary company	Loan Receivable	40,018,750	30,018,750
Welspun Middle East Pipe Company LLC	Subsidiary company	Interest receivable	2,132,814	557,061
Welspun Middle East Pipe Coatings LLC	Subsidiary company	Loan Receivable	13,106,250	13,106,250
Welspun Middle East Pipe Coatings LLC	Subsidiary company	Interest receivable	928,517	243,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**16. RELATED PARTY TRANSACTIONS (CONTINUED)**Company

Name of company	Nature of Relationship	Nature of transactions	year ended 31-Mar-12 USD	year ended 31-Mar-11 USD
<i>Transaction during the period:</i>				
Aziz European Pipe Factory LLC	Related entity	Loan Receivable	602,261	602,261
Welspun Middle East DMCC	Subsidiary company	Loan Receivable	182,000	40,000

All related party transactions were carried out on an arm's length basis.

17. PREFERENCE SHARES OF THE COMPANY

The terms and conditions of the preference shares issued are as follows:

Instrument: Non-cumulative, Non-convertible, Redeemable Preference Shares

Face Value: US\$1

Dividend rate: 6% (Non-cumulative)

Tenure: 10 years from the date of allotment

Early Redemption Option: at the end of 3, 4, & 5 anniversary from the date of allotment

Mandatory Redemption: at the end of 10th year

Redemption amount: at par

18. REPORTING CURRENCY

The consolidated financial statements are presented in United States Dollars. The Company holds a Category 1 Global Business Licence under the Financial Services Act 2007, which requires that the Company's business or other activity to be carried on in a currency other than the Mauritian Rupee.

19. CONSOLIDATED FINANCIAL STATEMENTS

The Company holds 100% of the shares Welspun Middle East DMCC, a company registered in United Arab Emirates, 50.01 % shares of Welspun Middle East Pipes Company and 50.01% of Welspun Middle East Pipes Coating Company, two companies incorporated in Saudi Arabia. These are consolidated financial statements of the Company and its subsidiary companies which have been prepared as required by International Accounting Standards (IAS) 27.

The financial statements of the two subsidiaries incorporated in Saudi Arabia, namely Welspun Middle East Pipes Coating and Welspun Middle East Pipes Coating Company have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia.

20. EVENTS AFTER REPORTING DATE

The Company has issued 32,450,000 preference shares of USD 1 each against the capital contribution of US\$ 32,450,000.

21. HOLDING ENTITY

The directors consider Welspun Corp Limited, a company incorporated in India as the holding company.