Welspun Middle East DMCC
Dubai, United Arab Emirates

MANAGER'S REPORT

AND

AUDITED FINANCIAL STATEMENTS

31 March 2013

AUDITORS:

RSM Dahman
Accountants-Auditors-Consultants

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Welspun Middle East DMCC

31 March 2013

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MANAGER'S REPORT
FOR THE YEAR ENDED 31 MARCH 2013

I have pleasure in presenting this report and the audited financial statements of Welspun Middle East DMCC ("the Company") for the year ended 31 March 2013.

LEGAL STATUS AND ACTIVITIES

The Company is wholly owned by Welspun Mauritius Holding Ltd., Mauritius and its licensed activity is trading in steel products.

FINANCIAL RESULTS AND FUTURE OUTLOOK

In its third year, the Company was engaged in marketing activities. Although the Company did not win any contract in this year, management is hopeful about the future performance of the Company.

The Parent Company is committed to meet all the Company's obligations, present and future in order to commence and maintain operations.

The results are set out in the statement of comprehensive income.

MANAGEMENT RESPONSIBILITY

As the Manager of the Company, I confirm that management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as we determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I am also responsible for keeping proper financial records in line with the laws and regulations of Dubai Multi Commodities Centre, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

As the Manager of the Company, I have approved the financial statements on 4 May 2013.

INDEPENDENT AUDITORS

The independent auditors of the Company, **RSM Dahman,** have indicated their willingness to continue in office.

Manish Pathak
Manager
Date: 4 May 2013

RSM Dahman
Auditors·Accountants·Advisors

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
Welspun Middle East DMCC

Report on the Financial Statements

We have audited the accompanying financial statements of Welspun Middle East DMCC ("the Company") which comprise the statement of financial position as at 31 March 2013 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 31 March 2013 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Welspun Middle East DMCC as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board (IASB).

Emphasis of matter

Without qualifying our opinion, we draw attention to note (3) to the financial statements. Based on the commitment of the Parent company to meet all the Company's present and future liabilities, these financial statements have been prepared on a going concern basis.

Contd...

RSM Dahman
Accountants•Auditors•Consultants

Report on other legal and regulatory compliance

We further confirm that we have obtained all information and explanations that we deemed necessary for our audit, that proper financial records have been kept by the Company and the information contained in the Manager's report in so far as they relate to the financial statements are in agreement therewith. We are not aware of any violations of any rules and regulations of the Dubai Multi Commodities Centre have occurred during the year ended 31 March 2013, which may have had a material adverse effect on the business of the Company or its financial position.

RSM Dahman

RSM Dahman

Dubai
4 May 2013

P.O.Box: 11255, Dubai - U.A.E.
RSM Dahman
Accountants • Auditors • Consultants

STATEMENT OF FINANCIAL POSITION
31 March 2013

	Note	31 March 2013 USD	31 March 2012 USD
ASSETS			
NON CURRENT ASSETS			
Fixed assets	5	9,375	14,062
CURRENT ASSETS			
Prepayments		4,100	7,525
Bank balances	6	33,847	4,324
		37,947	11,849
Total assets		47,322	25,911
EQUITY AND LIABILITIES			
EQUITY			
Capital	7(a)	54,496	54,496
Current account	7(b)	7,496	7,496
		61,992	61,992
Accumulated losses		(439,400)	(251,470)
(Deficit) in equity		(377,408)	(189,478)
NON CURRENT LIABILITIES			
Employees' end of service benefits	8	-	14,115
CURRENT LIABILITIES			
Loan from parent company	9(a)	412,000	182,000
Other payables		12,730	19,274
		424,730	201,274
Total equity and liabilities		47,322	25,911

The independent auditors' report is set out on pages (2) and (3).

Manish Pathak
Manager

The attached notes 1 to 11 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2013

		Year ended 31 March 2013 USD	*Year ended 31 March 2012 USD*
INCOME STATEMENT			
Revenue		-	-
EXPENSES			
General and administration expenses	10	187,930	239,072
(LOSS) FOR THE YEAR		(187,930)	(239,072)

OTHER COMPREHENSIVE INCOME	*Year ended 31 March 2013*	*Year ended 31 March 2012 USD*
(Loss) for the year	(187,930)	(239,072)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	(187,930)	(239,072)

The attached notes 1 to 11 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended 31 March 2013

	Capital USD Note 7(a)	*Current account USD Note 7(b)*	*Accumulated losses USD*	*Total USD*
Comprehensive Income	54,496	7,496	(12,398)	49,594
(Loss) for the year	-	-	(239,072)	(239,072)
Other comprehensive income	-	-	-	-
Total comprehensive (loss)	-	-	(239,072)	(239,072)
Transactions with Owner:				
Total transactions with owner	-	-	-	-
As at 31 March 2012	54,496	7,496	(251,470)	(189,478)
Balance at 1 April 2012	54,496	7,496	(251,470)	(189,478)
Comprehensive Income				
(Loss) for the year	-	-	(187,930)	(187,930)
Other comprehensive income	-	-	-	-
Total comprehensive (loss)	-	-	(187,930)	(187,930)
Transaction with Owner:				
Total transactions with owner	-	-	-	-
As at 31 March 2013	54,496	7,496	(439,400)	(377,408)

Figures in (brackets) indicate debits

The attached notes 1 to 11 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year Ended 31 March 2013

	Year ended 31 March 2013 USD	*Year ended 31March 2012 USD*
OPERATING ACTIVITIES		
(Loss) for the year	(187,930)	(239,072)
Adjustment for:		
Depreciation of fixed asset	4,687	1,837
Provision for employees' end of service benefits	-	14,115
Employees' end of service benefits paid	(14,115)	-
Operating (loss) before working capital changes:	(197,358)	(223,120)
Decrease/(Increase) in prepayments	3,426	(7,525)
(Decrease)/Increase in other payables	(6,545)	19,274
Net cash (used in) operating activities	(200,477)	(211,371)
INVESTING ACTIVITIES		
(Purchase) of fixed assets	-	(15,899)
Cash flow (used in) investing activities	-	(15,899)
FINANCING ACTIVITIES		
Increase in loan from Parent company	230,000	142,000
Cash flow from financing activities	230,000	142,000
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	29,523	(85,270)
Cash and cash equivalents at the beginning of the year	4,324	89,594
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	33,847	4,324
REPRESENTED BY		
Bank balances	33,847	4,324

The attached notes 1 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Welspun Middle East DMCC ("the Company") is a company registered with Dubai Multi Commodities Centre under certificate No. 2501. The Company was incorporated on 25 January 2011 and it was granted a trading license on 9 March 2011. The Company's licensed activity is trading in steel products.

The registered address of the Company is Unit No.Almas-BC-279, Level No.2, Almas Tower, Plot No. LT-2 Jumeirah Lakes Towers, Dubai, United Arab Emirates.

The Company is a wholly owned subsidiary of Welspun Mauritius Holding Ltd., (Parent Company) and these financial statements will be consolidated with the financial statements of Welspun Mauritius Holding Ltd.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the interpretations issued by the International Financial Reporting Interpretation Committee of the (IASB) and the requirements of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended).

3 GOING CONCERN

As at the reporting date, the Company's accumulated losses amounted to USD 439,400 (2012: USD 251,470). This resulted in the Company having a net equity deficit of USD 377,408 this year. Although this loss is because of preliminary expenses since the Company has not yet started any revenue generating operations, it indicates the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern and realize its assets or meets its obligations through normal operation. The Parent Company is committed to meet all the Company's obligations, present and future in order to commence and maintain operations. Accordingly, these financial statements have been prepared on a going concern basis.

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, which comply with International Financial Reporting Standards, have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

<u>Basis of preparation</u>

These financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement at fair values, of financial assets at fair value through profit or loss including those designated as such upon initial recognition and those classified as held for trading.

a) *New and amended standards, and interpretations mandatory for the first time and applied but with no material effect on the financial statements:*

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

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to IAS 12: Deferred Tax – Recovery of Underlying Assets

b) *New and amended standards, and interpretations issued but not yet effective and not early adopted:*

For the avoidance of doubt, the following standards amendments and interpretations, which were issued by IASB before 31 December 2012 and are not yet in effect, have not been adopted early:

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 27 (as revised in 2011): Separate Financial Statement

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

- IAS 28 (as revised in 2011): Investments in Associates and Joint Ventures
- IAS 32: Offsetting Financial Assets and Financial Liabilities
- IFRS 13: Fair Value Measurement
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- IAS 19 (as revised in 2011): Employee Benefits
- Improvements to IFRSs issued in 2012

Topics covered by these standards/interpretations are either not relevant for the preparation of this set of IFRS financial statements or the Company does not foresee that the application of these standards/interpretations will result in a significant impact on figures and disclosures on the reporting period in which they will be adopted.

Fixed assets

Property under construction, being constructed for own use, are classified as construction work in progress until the construction is completed. All expenditure incurred on the construction of the property is shown as construction work in progress.

An assessment is made at each reporting date to determine if any cost under construction work in progress may be impaired. If such impairment exists, the loss is recognized in the income statement.

Financial assets

Initial recognition and measurement:

The Company recognizes financial assets on its reporting date when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets are recognized at fair value which is normally the transaction price.

Subsequent measurement:

Subsequent measurement of financial assets depends on how they have been treated on initial recognition. IAS 39 prescribes classification of the financial assets in one of the following four categories:

a) *Financial assets at fair value through profit and loss:* Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives. All changes in fair value relating to assets at fair value through profit and loss are charged to the income statement as incurred.

   For the year ended on 31 March 2013, the Company did not carry any financial assets classified in this category.

b) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at cost minus any reduction for impairment or un-collectability. The amount of loss is recognized in the income statement.

   Other receivables are classified in this category.

c) *Held to maturity financial assets:* These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

   For the year ended on 31 March 2013, the Company did not carry any financial assets classified in this category.

d) *Available for sale financial assets:* These are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available for sale financial assets are recognized directly in equity until the security is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the income statement.

4 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets (*continued)*

For the year ended on 31 March 2013, the Company did not carry any financial assets classified in this category.

Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of balances with bank.

Employees' end of service benefits

Provision is made for employees' end of service benefits. Such provision is not less than the amounts payable under the UAE Federal Labour Law No. (4) of 1980 and is based on the liability that would arise if the services of all employees were terminated on the reporting date.

Financial liabilities

Initial recognition and measurement:

The Company recognizes financial liabilities on its reporting date when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, all financial liabilities are recognized at fair value which is normally the transaction price.

Subsequent measurement:

Subsequent measurement of financial liabilities depends on how they have been treated on initial recognition. IAS 39 prescribes classification of the financial liabilities in one of the following two categories:

a) *Liabilities at fair value through profit and loss:* Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives. All changes in fair value relating to liabilities at fair value through profit and loss are charged to the income statement as incurred.

For the year ended on 31 March 2013, the Company did not carry any financial liabilities held for trading or designated as at fair value through profit and loss.

b) *Other financial liabilities:* All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortized cost using the effective interest method.

Other payables are classified in this category. Items classified within this category are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Foreign currencies

USD is considered to be the Company's functional and reporting currency.

Transactions denominated in foreign currencies are translated into US Dollars and recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rates ruling at the reporting date. Realized and unrealized foreign exchange gains and losses arising on translation are recognized in the profit or loss.

5 FIXED ASSETS

	Furniture & fixtures USD
Cost:	
At 1 April 2011	-
Additions during the year	15,899
At 31 March 2012	15,899
Additions during the year	-
At 31 March 2013	15,899
Depreciation:	
At 1 April 2011	-
Charge for the year	1,837
At 31 March 2012	1,837
Charge for the year	4,687
At 31 March 2013	6,524
Net book amounts:	
At 31 March 2013	9,375
At 31 March 2012	14,062

6 BANK BALANCES

	31 March 2013 USD	*31 March 2012 USD*
Current account balance with bank	33,847	4,324
Total bank balances	33,847	4,324

7(a) CAPITAL

The capital of the Company is AED 200,000, divided into 200 shares of AED 1,000 each, and held as under:

	31 March 2013 USD	*31 March 2012 USD*
Welspun Mauritius Holding Ltd.	54,496	54,496
	54,496	54,496

7(b) CURRENT ACCOUNT

The Parent Company transferred an amount of USD 61,992 towards the capital for the Company. However, in accordance with DMCC regulations, the capital is only AED 200,000 which is equivalent to USD 54,496. Thus, the additional capital USD 7,496 introduced is shown under current account.

8 EMPLOYEES' END OF SERVICE BENEFITS

	31 March 2013 USD	*31 March 2012 USD*
Balance at 1 April	14,115	-
Add: Amount provided during the year (note 10)	-	14,115
Less: Paid during the year	(14,115)	-
Balance at 31 March	-	14,115

9 RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, carries out transactions with other entities, which fall within the definition of related parties contained in International Accounting Standard No. (24). The rates and terms of the transactions are decided by the management. Transactions with related parties included in the financial statements are as follows:

	31 March 2013 USD	*31 March 2012 USD*
Loan received from parent company	230,000	142,000

9(a) LOAN FROM PARENT COMPANY

	31 March 2013 USD	*31 March 2012 USD*
Welspun Mauritius Holding Ltd.	412,000	182,000
	412,000	182,000

The above amount is interest free, unsecured and without repayment dates.

10 GENERAL AND ADMINISTRATION EXPENSES

	31 March 2013 USD	*31 March 2012 USD*
Salaries	122,335	167,951
Employees' end of service benefits (note 8)	-	14,115
Depreciation of fixed asset (note 5)	4,687	1,837
Telephone and DEWA expenses	6,401	6,245
Trade license fee	4,704	4,786
Medical insurance	1,271	5,300
Professional fee	11,890	-
Rent	16,366	13,924
Travelling expenses	10732	16,903
Other expenses	9,009	5,456
Bank charges	535	2,555
	187,930	239,072

11 FINANCIAL INSTRUMENTS

The financial assets of the Company comprise bank balances. The financial liabilities of the Company comprise other payables and related party liabilities. The accounting policies for financial assets and liabilities are set out in note (4).

The following table summarizes the carrying amount of financial assets and liabilities recorded at 31 March by IAS 39 category:

	31 March 2013	*31 March 2012*
FINANCIAL ASSETS	*USD*	*USD*
Cash and cash equivalents	33,847	4,324
Financial assets at fair value through the income statement		
- those designated as such upon initial recognition	-	-
- those classified as held for trading	-	-
Available for sale investments	-	-
Loans and receivables	-	-
Held-to-maturity investments	-	-
Total financial assets	33,847	4,324
FINANCIAL LIABILITIES		
At fair value through the income statement	-	-
Measured at amortised cost:		
- Borrowings	412,000	182,000
- Derivative financial instruments	-	-
- Other financial liabilities	12,730	19,274
Total financial liabilities	424,730	201,274

Fair value

The fair values of the Company's financial instruments are not materially different from their carrying values at the reporting date.

11(a) INFORMATION ON FINANCIAL RISKS

The main risks to which the Company is exposed are as under:

Liquidity risk

The Company limits its liquidity risk by ensuring support funds from the Parent Company are available to it to meet financial liabilities. The amounts due to related party do not have a repayment schedule and are repayable as per convenience. The Company does expect to pay all external liabilities at their contractual maturity and expects to generate cash flows to be able to do so.

Interest rate risk

The Company does not have any interest bearing financial instruments.

Currency risk

The management closely monitors the exchange rate fluctuations to minimize foreign currency risk. All financial assets and liabilities are designated in USD or AED which is pegged in to the USD. Accordingly, currency risk on this front is minimal.