

WELSPUN MAURITIUS HOLDINGS LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

WELSPUN MAURITIUS HOLDINGS LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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CORPORATE DATA

**Date of
appointment**

DIRECTORS	: Devendra Krishna Patil Naushad Ally Sohoboo Srinivasan Krishnan Sandeep Fakun	9 June 2008 3 October 2011 6 March 2014 4 March 2016
ADMINISTRATOR & SECRETARY	: CIM CORPORATE SERVICES LTD Les Cascades Building Edith Cavell Street Port Louis MAURITIUS	
REGISTERED OFFICE	: C/o CIM CORPORATE SERVICES LTD Les Cascades Building Edith Cavell Street Port Louis MAURITIUS	
AUDITORS	: Aejaz Nazir Associates & Co Chartered Certified Accountants 18, Dr Auguste Rouget Street Port Louis MAURITIUS	
BANKERS	: 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") for the year ended 31 March 2017.

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 (2016-Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 March 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the 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 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.

WELSPUN MAURITIUS HOLDINGS LTD

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**SECRETARY'S CERTIFICATE
FOR THE YEAR ENDED 31 MARCH 2017**

We certify that to the best of our knowledge and belief that the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001 for the year ended 31 March 2017.



CIM CORPORATE SERVICES LTD
Corporate Secretary

Date : 18 April 2017

CIM CORPORATE SERVICES LTD

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELSPUN MAURITIUS HOLDINGS LTD .

Opinion

We have audited the financial statements of WELSPUN MAURITIUS HOLDINGS LTD (the "Company"), which comprise the statement of financial position as at 31 March 2017, 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 notes.

In our opinion, the financial statements on pages 10 to 20 give a true and fair view of the financial position of the Company at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELSPUN MAURITIUS HOLDINGS LTD .

Auditors' Responsibilities for the audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

- we have no relationship with, or any interests in, the Company other than in our capacity as auditors;
- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

A handwritten signature in blue ink, appearing to read 'A. Nazir', is written over a horizontal line.

AEJAZ NAZIR ASSOCIATES & CO
Chartered Certified Accountants
18 Dr Auguste Rouget Street,
Port-Louis, Mauritius.

Represented by Aejaz Nazir (FCCA, MIPA) (Licensed by FRC)
Partner.

Date: 18 April 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 USD	2016 USD	2015 USD
ASSETS				
Non-current assets				
Investments	4	19,408,798	19,408,798	19,408,798
Loans	5	28,360,294	24,594,197	44,566,501
Other financial assets	6	-	-	602,261
Total non-current assets		47,769,092	44,002,995	64,577,560
Current assets				
Cash and cash equivalents	14 (b)	196,410	254,745	586,878
Trade and other receivables	7	184,266	3,405,472	3,341,708
Other current assets	8	-	-	5,850
Total current assets		380,676	3,660,217	3,934,436
Total assets		48,149,768	47,663,212	68,511,996
EQUITY AND LIABILITY				
Equity				
Share capital	9	23,567,455	23,567,455	41,267,455
Retained earnings	10	4,805,911	4,318,278	2,312,178
Revaluation reserve	10	4,764,204	4,764,204	4,764,203
Equity attributable to equity holders		33,137,570	32,649,937	48,343,836
Liabilities				
Non current liabilities				
Borrowings	11 (a)	-	-	15,000,000
Total non-current liabilities		-	-	15,000,000
Current liabilities				
Borrowings	11 (b)	15,000,000	15,000,000	5,000,000
Trade payables	12	8,100	8,100	8,555
Other financial liabilities	12	-	-	148,577
Current tax liabilities	13	4,098	5,175	11,028
Total current liabilities		15,012,198	15,013,275	5,168,160
Total equity and liabilities		48,149,768	47,663,212	68,511,996

These financial statements have been approved by the Board of Directors on 18 April 2017 and signed on its behalf by



Naushad Ally Sohoboo



Sandeep Fakun

The notes on pages 10 to 20 form an integral part of these financial statements.
Independent auditor's report on page 4-5.

WELSPUN MAURITIUS HOLDINGS LTD
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016	2015
	USD	USD	USD
Income			
Interest income	1,285,898	1,752,796	2,118,253
Dividend	-	1,152,648	-
Other income	-	81,076	-
	<u>1,285,898</u>	<u>2,986,520</u>	<u>2,118,253</u>
Expenses			
Secretarial fees	1,700	1,700	2,013
Professional fees	12,700	2,400	2,513
Licence fees	2,015	2,015	2,930
Audit fees	2,500	2,500	2,500
Accounting fees	4,500	4,500	4,500
Tax filing fees	700	700	1,100
Administrative expenses	300	7,900	1,400
Finance charges	720,572	750,183	152,783
	<u>744,987</u>	<u>771,898</u>	<u>169,738</u>
Total expenses	<u>744,987</u>	<u>771,898</u>	<u>169,738</u>
Profit before taxation	540,911	2,214,622	1,948,515
Income tax expense	13 (53,278)	(208,522)	(129,669)
Profit for the year	<u>487,633</u>	<u>2,006,100</u>	<u>1,818,846</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Other comprehensive income	-	-	-
Net other comprehensive income not to be reclassified subsequently to profit or loss	-	-	-
Items that will be reclassified subsequently to profit or loss:			
Net other comprehensive income to be reclassified subsequently to profit or loss	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>487,633</u></u>	<u><u>2,006,100</u></u>	<u><u>1,818,846</u></u>

The notes on pages 10 to 20 form an integral part of these financial statements.
 Independent auditor's report on page 4-5.

WELSPUN MAURITIUS HOLDINGS LTD
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2017

10. Other equity

	Share capital	Preference shares	Revaluation reserves	Retained earnings	Total
	USD	USD	USD	USD	USD
At 01 April 2015	113,455	41,154,000	4,764,204	2,312,178	48,343,837
Buy back preference shares	-	(17,700,000)	-	-	(17,700,000)
Total comprehensive income for the year	-	-	-	2,006,100	2,006,100
At 01 April 2016	113,455	23,454,000	4,764,204	4,318,278	32,649,937
Total comprehensive income for the year	-	-	-	487,633	487,633
At 31 March 2017	<u>113,455</u>	<u>23,454,000</u>	<u>4,764,204</u>	<u>4,805,911</u>	<u>33,137,570</u>

The notes on pages 10 to 20 form an integral part of these financial statements.
 Independent auditor's report on page 4-5.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

		<u>2017</u> USD	<u>2016</u> USD	<u>2015</u> USD
	Note			
Operating activities				
Net cash (used in)/generated from operations	14(a)	(41,603)	(217,512)	11,306,490
Net cash (used in)/generated from operations		<u>(41,603)</u>	<u>(217,512)</u>	<u>11,306,490</u>
Cash flow from investing activities				
Dividend income		-	1,152,648	-
Loan repayment		-	20,574,566	-
Buy back of preference shares		-	(17,700,000)	(25,000,000)
Net cash generated from/(used) in investing activities		<u>-</u>	<u>4,027,214</u>	<u>(25,000,000)</u>
Cash flow from financing activities				
Loan interest received		703,840	1,604,380	1,218,469
Loan granted to subsidiaries		-	-	(469,501)
Repayment of loan		-	(5,000,000)	13,335,037
Finance charge paid		(720,572)	(746,215)	-
Net cash (used in)/ generated from financing activities		<u>(16,732)</u>	<u>(4,141,835)</u>	<u>14,084,005</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(58,335)</u>	<u>(332,133)</u>	<u>390,495</u>
Movement in cash and cash equivalents				
At start of year		254,745	586,878	196,383
Net (decrease)/ increase in cash and cash equivalents		<u>(58,335)</u>	<u>(332,133)</u>	<u>390,495</u>
Cash and cash equivalents at 31 March	14(b)	<u>196,410</u>	<u>254,745</u>	<u>586,878</u>

The notes on pages 10 to 20 form an integral part of these 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 CIM CORPORATE SERVICES LTD, Les Cascades Building, Edith Cavell 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.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention.

Standards, Amendments to published Standards and Interpretations effective in the reporting

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not expected to have any impact on the Company's financial statements.

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. The standard has no impact on the Company's financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard is not expected to have any impact on the Company's financial statements.

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. The standard has no impact on the Company's financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the Company's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes are to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This IAS has no impact on the financial statements of the Company.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', has no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)*Standards, Amendments to published Standards and Interpretations effective in the reporting (continued)*

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and is not expected to have any impact on the Company's financial statements.

Amendment to IFRS 1 (Government Loans) has no impact on the Company's financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Company's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. The amendment does not have an impact on the Company's operations.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but which the Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

IFRIC 21: Levies

Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Annual Improvements to IFRSs 2010-2012 cycle

Annual Improvements to IFRSs 2011-2013 cycle

Where relevant, the Company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no major estimates and assumptions made during the year that have a significant risk of causing material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year.

2.2 Investment in jointly controlled entity

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company holds investments in joint ventures and is required to equity account the results of the joint venture entity under IAS 28 Investments in Associates and Joint Ventures. The Company has not equity accounted the results of Welspun Middle East Pipes Company LLC and Welspun Middle East Pipes Coatings Company LLC as Welspun Corp Limited would consider both entities as subsidiary in their consolidated financial statements since the Company hold more than 50 % of the share capital of the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.3 Consolidated financial statements**

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity

The Company has taken advantage of paragraph 10 of revised International Accounting Standard "IAS 27-Consolidated Financial Statements and Accounting for Investments in Subsidiaries", which dispenses it from the need to present consolidated financial statements, as the ultimate parent company Welspun Corp Limited prepares consolidated financial statements, available for public use and which are in compliance with IFRS.

2.4 Financial assets**(a) Categories of financial assets**

The company classifies its financial assets principally as loans and receivables. The classification of financial assets depends on the purpose for which the asset was acquired. Management determines the classification of their financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transactions costs. Subsequent initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The company's loans and receivables comprise cash and cash equivalents and other receivables.

(b) Recognition and measurement

Loans and receivables are initially recognised at fair value and are carried subsequently at amortised cost using effective interest method.

(c) Impairment of financial assets

The Company assesses at the end of each reporting period whether that is objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.5 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.6 Cash and cash equivalents**

Cash and cash equivalents comprise of cash at bank. Cash and 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.

2.7 Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from proceeds.

2.9 Foreign currency transactions**(i) Functional and presentation currency**

Items included in the financial statements are measured using US Dollar, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in US Dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2.10 Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

2.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, value added taxes, rebates and other similar allowances.

(c) Other revenues earned by the Company are recognised on the following bases:

- (i) Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- (ii) Dividend income - when the shareholder's right to received payment is established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks, including:

- Market risk (including currency risk and cash flow and fair value interest rate risk)
- Liquidity risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Market risk(i) Currency risk

The Company invests in shares denominated in Saudi riyal ("SAR"). Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the SAR. A 5% change in exchange rate with respect to SAR will not impact on the company's results, unless a material fluctuation in exchange rate occurs.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2017	Financial liabilities 2017	Financial assets 2016	Financial liabilities 2016	Financial assets 2015	Financial liabilities 2015
	USD	USD	USD	USD	USD	USD
USD	<u>47,965,502</u>	<u>15,012,198</u>	<u>44,257,740</u>	<u>15,013,275</u>	<u>65,164,438</u>	<u>5,168,160</u>

Prepayments have not been included in the above financial assets.

(ii) Cash flow and fair value interest rate risk

The Company's exposure to interest rate risk, the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from related entities. The Company depends on the financial support of its holding company for funding.

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

	2017		2016		2015	
	More than 1 year	Carrying amount	More than 1 year	Carrying amount	More than 1 year	Carrying amount
	USD	USD	USD	USD	USD	USD
Trade and other payables	-	8,100	-	8,100	-	8,100
Borrowings	-	15,000,000	-	15,000,000	-	15,000,000
At 31 March	<u>-</u>	<u>15,008,100</u>	<u>-</u>	<u>15,008,100</u>	<u>-</u>	<u>15,008,100</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

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 Company to concentrations of credit risk consist principally of bank balances. These assets are held in a number of reputable financial institutions. Accordingly, the Company has no significant concentration of credit risk.

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:

	2017	2016	2015
ASSETS	USD	USD	USD
Cash and cash equivalents	196,410	254,745	586,878
Trade and other receivables	184,266	3,405,472	3,347,558
	<u>380,676</u>	<u>3,660,217</u>	<u>3,934,436</u>

3.2 Fair values

The carrying amounts of other receivables, cash and cash equivalents and other payables approximate their fair values. Financial assets and liabilities, which are accounted at historical cost, are carried at values, which may differ materially from their values. It is not practical within the constraints of timeliness and cost to determine the fair values of investments with sufficient reliability.

4. Investments

	2017	2016	2015
	USD	USD	USD
	<u>19,408,798</u>	<u>19,408,798</u>	<u>19,408,798</u>

Details of investments are as follows:

Name of company	Country of incorporation	Holdings	2017 USD	2016 USD	2015 USD
Welsun Middle East Pipes Company LLC	Saudi Arabia	50.01%	10,141,611	10,141,611	10,141,611
			<u>9,267,187</u>	<u>9,267,187</u>	<u>9,267,187</u>
Welsun Middle East Pipes Coatings Company LLC	Suadi Arabia	50.01%	<u>19,408,798</u>	<u>19,408,798</u>	<u>19,408,798</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

5. Loan receivables

	2017	2016	2015
	USD	USD	USD
<u>Non current assets</u>			
Long term loan receivables	28,360,294	24,594,197	43,964,240
	<u>28,360,294</u>	<u>24,594,197</u>	<u>43,964,240</u>

6. Other Financial Assets

	2017	2016	2015
	USD	USD	USD
Other Receivables	-	-	602,261
	<u>-</u>	<u>-</u>	<u>602,261</u>

This amount is receivable from Aziz European Pipe Factory on account of BG margin money paid.

7. Trade and other receivables

	2017	2016	2015
	USD	USD	USD
<u>Current assets</u>			
Interest receivable	184,266	3,405,472	3,341,708
	<u>184,266</u>	<u>3,405,472</u>	<u>3,341,708</u>

The interest receivable from Welspun Middle East Pipes Coatings Company LLC amounting to USD 3,766,096 has been capitalised under non current asset as long term loan during the year.

8. Other Current Assets

	2017	2016	2015
	USD	USD	USD
Prepaid Expenses	-	-	5,850
	<u>-</u>	<u>-</u>	<u>5,850</u>

9. Share capital

Issued and fully paid:

Ordinary shares of USD 1 each
Preference shares of USD 1 each

	2017	2016	2015
	USD	USD	USD
Ordinary shares of USD 1 each	113,455	113,455	113,455
Preference shares of USD 1 each	23,454,000	23,454,000	41,154,000
	<u>23,567,455</u>	<u>23,567,455</u>	<u>41,267,455</u>

	2017	2017	2016	2016	2015	2015
	Number	USD	Number	USD	Number	USD
<i>Issued and fully paid:</i>						
Ordinary shares of USD 1 each	113,455	113,455	113,455	113,455	113,455	113,455
Preference shares of USD 1 each	23,454,000	23,454,000	23,454,000	23,454,000	41,154,000	41,154,000
	<u>23,567,455</u>	<u>23,567,455</u>	<u>23,567,455</u>	<u>23,567,455</u>	<u>41,267,455</u>	<u>41,267,455</u>

During the year 2014-15 the Company has redeemed 17,700,000 preference shares.

Shareholders holding shares of the company

Ordinary shares of USD 1 each

Welspun corp limited

Mohwareen

Preference shares of USD 1 each

Welspun corp limited

	2017	2016	2015
	% USD	% USD	% USD
Welspun corp limited	102,089	102,089	89.98 102,089
Mohwareen	10.02 11,366	11,366	10.02 11,366
Welspun corp limited	23,454,000	23,454,000	100 41,267,455

10. Other equity

Retained earnings

Revaluation reserve

	2017	2016	2015
	USD	USD	USD
Retained earnings	4,805,911	4,318,278	2,312,178
Revaluation reserve	4,764,204	4,764,204	4,764,204
	<u>9,570,115</u>	<u>9,082,482</u>	<u>7,076,382</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

11. Borrowings

	2017	2016	2015
	USD	USD	USD
<u>(a) Non current liabilities</u>			
Related parties loans	-	-	15,000,000
	<u>-</u>	<u>-</u>	<u>15,000,000</u>
	2017	2016	2015
	USD	USD	USD
<u>(b) Current liabilities</u>			
Related parties loans	15,000,000	15,000,000	5,000,000
	<u>15,000,000</u>	<u>15,000,000</u>	<u>5,000,000</u>

12. Trade and other payables

	2017	2016	2015
	USD	USD	USD
Accrued Expenses	8,100	8,100	8,500
Due to Holding Co (Redemption of Pref. Shares)	-	-	55
Interest payable	-	-	148,577
	<u>8,100</u>	<u>8,100</u>	<u>157,132</u>

13. Taxation liability

	2017	2016	2015
	USD	USD	USD
Tax Liability	4,098	5,175	11,028
At year end	<u>4,098</u>	<u>5,175</u>	<u>11,028</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 :

	2017	2016	2015
	USD	USD	USD
Profit before taxation	540,911	2,214,622	1,948,515
	<u>540,911</u>	<u>2,214,622</u>	<u>1,948,515</u>
Tax calculated at a rate of 15%	81,137	332,193	292,277
Deemed Tax Credit	<u>(64,909)</u>	<u>(265,755)</u>	<u>(233,822)</u>
Tax liability for the year	16,227	66,439	58,455
Tax paid during the year	<u>(12,129)</u>	<u>(61,264)</u>	<u>(47,427)</u>
Tax payable	<u>4,098</u>	<u>5,175</u>	<u>11,028</u>
Foreign tax paid			
Withholding tax	37,051	142,083	71,214
Total tax liabilities	<u>53,278</u>	<u>208,522</u>	<u>129,669</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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

14. NOTES TO THE CASH FLOW STATEMENT

	2017	2016	2015
	USD	USD	USD
(a) Cash generated from operations			
Profit before taxation	540,911	2,214,622	1,948,515
<i>Changes in working capital:</i>			
Interest expense	720,572	746,215	148,577
Interest income	(1,285,782)	(1,752,796)	(2,119,060)
Dividend income	-	(1,152,648)	-
Interest receivable	-	(63,765)	(4,188)
Change in receivables	(100)	5,850	-
Change in payables	100	(142,698)	1,000
Due to related parties	-	-	20,000,000
Accrued expenses and other current liabilities	-	-	(8,519,500)
	(24,299)	(145,220)	11,455,344
Tax paid	(17,304)	(72,292)	(148,854)
Cash generated from in operations	(41,603)	(217,512)	11,306,490
(b) Cash and cash equivalents			
	2017	2016	2015
	USD	USD	USD
Cash at bank	196,410	254,745	586,878

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**15. Related party transactions**

During the year ended 31 March 2017, 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-17 USD	Year ended 31-Mar-16 USD	Year ended 31-Mar-15 USD
Welspun Middle East Pipe Company LLC	Joint Venture	Loan Receivable	14,121,607	14,121,607	34,093,912
Welspun Middle East Pipe Company LLC	Joint Venture	Interest receivable	184,266	185,756	669,866
Welspun Middle East Pipe Coatings LLC	Joint Venture	Loan Receivable	10,472,589	10,472,589	10,472,589
Welspun Middle East Pipe Coatings LLC	Joint Venture	Interest receivable	3,766,097	3,219,717	2,671,841
<u>Transactions during the year:</u>					
Welspun Middle East Pipe Company LLC	Joint Venture	Interest income	739,519	1,204,920	1,571,874
Welspun Middle East Pipe Company LLC	Joint Venture	Dividend income	-	1,152,648	-
Welspun Middle East Pipe Coatings LLC	Joint Venture	Interest income	546,379	547,876	546,379
Welspun Middle East Pipe Coatings LLC	Joint Venture	Other Income	-	81,076	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

15. Related party transactions (continued)

Group

Name of company	Nature of Relationship	Nature of transactions	Year ended 31-Mar-17 USD	Year ended 31-Mar-16 USD	Year ended 31-Mar-15 USD
Welspun Tubulars LLC	Associate	Loan Payable	15,000,000	15,000,000	20,000,000
Welspun Tubulars LLC	Associate	Interest	718,437	746,215	148,577

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

16. PREFERENCE SHARES OF THE COMPANY

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

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

Face Value: US\$1

Dividend rate: 7% (Non-cumulative) of the 23,454,000 preference shares issued.

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 from the date of allotment

Redemption amount: at par

17. REPORTING CURRENCY

The 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.

18. CONSOLIDATED FINANCIAL STATEMENTS

No consolidated accounts have been prepared as the directors of the Company have taken advantage of the exemption under the Mauritian Company's Act 2001, which exempts a company holding a Global Business Licence from preparing consolidated financial statements when it is a wholly owned or virtually wholly owned subsidiary of a Company incorporated outside Mauritius.

19. HOLDING ENTITY

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