

## **PROCO ISSUER PTE. LTD.**

### **REPORT OF THE DIRECTORS**

The directors present their report together with the audited financial statements of the company for the financial year ended March 31, 2015.

#### **1 DIRECTORS**

The directors of the company in office at the date of this report are:

Sandip Biswas

Ranganath Raghupathy Rao

Rajiv Mukerji

Sanjib Nanda

(Appointed on 29 April 2015)

#### **2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES**

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

#### **3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

The directors of the company holding the office at the end of the financial year are also directors of the immediate holding company, Tata Steel Global Procurement Company Pte. Ltd., incorporated in Singapore, which owns all the shares of the company. Their interests in shares are recorded in the Register of Directors' Shareholdings kept under Section 164 of the Singapore Companies Act by the immediate holding company and are therefore not disclosed in this Report.

#### **4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS**

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

**PROCO ISSUER PTE. LTD.**

**REPORT OF THE DIRECTORS**

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company were granted.

(b) *Options exercised*

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the company under option.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
Sanjib Nanda

.....  
Sandip Biswas

Date:

**PROCO ISSUER PTE. LTD.**

**STATEMENT OF DIRECTORS**

In the opinion of the directors, the financial statements of the company as set out on pages 6 to 31 are drawn up so as to give a true and fair view of the state of affairs of the company as at March 31, 2015 and of the results, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

.....  
Sanjib Nanda

.....  
Sandip Biswas

Date:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
PROCO ISSUER PTE. LTD.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Proco Issuer Pte. Ltd. (the "company") which comprise the statement of financial position of the company as at March 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 31.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

**Auditors' Responsibility**

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
PROCO ISSUER PTE. LTD.**

**Opinion**

In our opinion, the financial statements of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the company as at March 31, 2015 and the financial performance, changes in equity and cash flows of the company for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Public Accountants and  
Chartered Accountants  
Singapore

Date:

**PROCO ISSUER PTE. LTD.**

**STATEMENT OF FINANCIAL POSITION**  
**March 31, 2015**

(Expressed in thousands British Pounds)

	<u>Note</u>	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	6	292	302
Trade receivables	7	408,315	596,406
Other receivables	8	166,479	215,285
Loan receivables due from intermediate holding company	9	345,048	214,951
Derivative financial instruments	10	<u>154</u>	<u>58</u>
<b>Total current assets</b>		<b><u>920,288</u></b>	<b><u>1,027,002</u></b>
<b>Non-current asset</b>			
Deferred tax asset	11	<u>141</u>	<u>266</u>
<b>Total assets</b>		<b><u>920,429</u></b>	<b><u>1,027,268</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Deferred factoring income	12	6,259	11,554
Accrued expenses	13	8,517	11,525
Debenture loans from immediate holding company	14	607,976	769,587
Loan payable due to intermediate holding company	15	112	7,688
Income tax payable		<u>3,786</u>	<u>3,971</u>
<b>Total current liabilities</b>		<b><u>626,650</u></b>	<b><u>804,325</u></b>
<b>Capital and reserves</b>			
Share capital	16	*	*
Retained earnings		<u>293,779</u>	<u>222,943</u>
<b>Total equity</b>		<b><u>293,779</u></b>	<b><u>222,943</u></b>
<b>Total liabilities and equity</b>		<b><u>920,429</u></b>	<b><u>1,027,268</u></b>

\* Amount is less than GBP1,000

See accompanying notes to financial statements.

**PROCO ISSUER PTE. LTD.**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**Year ended March 31, 2015**

(Expressed in thousands British Pounds)

	<u>Note</u>	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<b>Revenue</b>	17	112,669	119,543
Other operating income - net	18	3,549	2,291
Administrative expenses		(4,276)	(4,054)
Finance costs	19	<u>(37,083)</u>	<u>(39,351)</u>
<b>Profit before tax</b>		74,859	78,429
Income tax expense	20	<u>(4,023)</u>	<u>(4,038)</u>
<b>Profit for the year, representing total comprehensive income for the year</b>	21	<u>70,836</u>	<u>74,391</u>

See accompanying notes to financial statements.

**PROCO ISSUER PTE. LTD.**

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended March 31, 2015**

(Expressed in thousands British Pounds)

	<u>Share capital</u> GBP'000	<u>Retained earnings</u> GBP'000	<u>Total</u> GBP'000
<b>Balance at April 1, 2013</b>	*	148,552	148,552
Profit for the year, representing total comprehensive income for the year	<u>-</u>	<u>74,391</u>	<u>74,391</u>
<b>Balance at March 31, 2014</b>	*	222,943	222,943
Profit for the year, representing total comprehensive income for the year	<u>-</u>	<u>70,836</u>	<u>70,836</u>
<b>Balance at March 31, 2015</b>	<u>*</u>	<u>293,779</u>	<u>293,779</u>

\* Amount is less than GBP1,000

See accompanying notes to financial statements.



**PROCO ISSUER PTE. LTD.**

**STATEMENT OF CASH FLOWS**  
**Year ended March 31, 2015**

(Expressed in thousands British Pounds)

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<b>Operating activities</b>		
Profit before income tax	74,859	78,429
Adjustments for:		
Interest income	(1,579)	(960)
Interest expenses	37,083	39,351
Fair value gains on derivative financial instruments	(96)	(64)
Reversal of doubtful trade receivables	<u>(2,180)</u>	<u>(274)</u>
Operating cash flows before movements in working capital	108,087	116,482
Trade receivables	190,271	128,132
Other receivables	48,898	(17,542)
Deferred service income	(5,295)	(1,452)
Accrued expenses	<u>(57)</u>	<u>178</u>
Cash generated from operations	341,904	225,798
Income tax paid	<u>(4,083)</u>	<u>(11,342)</u>
Net cash from operating activities	<u>337,821</u>	<u>214,456</u>
<b>Investing activities</b>		
Interest received	1,487	980
Loans to intermediate holding company	(3,848,032)	(1,867,446)
Repayments of loans to intermediate holding company	<u>3,717,935</u>	<u>1,776,788</u>
Net cash used in investing activities	<u>(128,610)</u>	<u>(89,678)</u>
<b>Financing activities</b>		
Debenture loans from immediate holding company	1,727,012	2,001,609
Repayments of debenture loans from immediate holding company	(1,888,623)	(2,089,814)
Loans from intermediate holding company	70,714	149,843
Repayments of loans from intermediate holding company	(78,290)	(150,232)
Interest paid	<u>(40,034)</u>	<u>(37,490)</u>
Net cash used in financing activities	<u>(209,221)</u>	<u>(126,084)</u>
Net decrease in cash and cash equivalents	(10)	(1,306)
Cash and cash equivalents at the beginning of the financial year	<u>302</u>	<u>1,608</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<u>292</u>	<u>302</u>

See accompanying notes to financial statements.

## **PROCO ISSUER PTE. LTD.**

### **NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

#### **1 GENERAL**

The company (Registration No. 201019152H) is incorporated in Singapore with its registered office at 22 Tanjong Kling Road Singapore 628048. The financial statements are expressed in British Pounds.

The principal activity of the company is dealing in factoring of accounts receivables.

The financial statements of the company for the financial year ended March 31, 2015 were authorised for issue by the Board of Directors on \_\_\_\_\_.

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provision of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## PROCO ISSUER PTE. LTD.

### NOTES TO FINANCIAL STATEMENTS

March 31, 2015

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**ADOPTION OF NEW AND REVISED STANDARDS** - On April 1, 2014, the company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

At the date of authorisation of these financial statements, certain new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the company were issued but not effective:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)
- Improvements to Financial Reporting Standards (November 2014)

Consequential amendments were also made to various standards as a result of these new/revised standards.

#### **FRS 109 *Financial Instruments***

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on preliminary assessment, the management anticipated that there will not be material effect on the company's financial statements in the period of initial adoption.

**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**FRS 115 Revenue from Contracts with Customers**

FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective. FRS 115 introduces a 5-step approach to revenue recognition:

- Step 1: identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. In addition, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial year beginning on or after January 1, 2017, with retrospective application required.

The company is currently assessing the effects of FRS 115 in the period of initial adoption.

**Amendments to FRS 1 Presentation of Financial Statements: Disclosure Initiative**

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income (“OCI”) arising from equity-accounted investments - An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

## **PROCO ISSUER PTE. LTD.**

### **NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of amendments to FRS 1 on the financial statements of the company in the period of initial adoption.

Other than FRS 109, FRS 115 and amendments to FRS 1, management has considered and is of the view that the adoption of the amendments and improvements to FRSs that are issued as at date of authorisation of these financial statements but effective only in future periods will not have a material impact on the financial statements in the period of their initial adoption.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis.

##### Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

## **PROCO ISSUER PTE. LTD.**

### **NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Derivative financial instruments

The company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details are disclosed in Note 10 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing debenture loans from immediate holding company are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

**PROVISIONS** - Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable.

Receivables factoring income from the purchased accounts receivables

Receivables factoring income from the purchased accounts receivables is accrued on a time basis, by reference to the estimated date of collection of receivables and at the applicable discount rate at which the receivables are acquired using the effective interest method.

The unrecognised portion of the discount on purchase of receivables which represents the factoring income from the end of the reporting period to the expected date of collection of receivables is recorded as deferred income under current liabilities.

Interest income

Interest income is accrued on a time basis, by reference to the outstanding principal and at the applicable effective interest rate.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs from debenture loans are recognised in profit or loss in the period in which they are incurred using the effective interest rate method.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

**FOREIGN CURRENCY TRANSACTIONS** - The financial statements of the company are measured and presented in British Pounds, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*i) Critical judgements in applying the company's accounting policies*

The following is the critical judgement apart from those involving estimations (see below), that management has made in the process of applying the company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The company recognises revenue from factoring income based on the expected dates for which the receivables are expected to be collected. The expected date of collection is based on the credit terms given to the customers by the related companies from which the receivables have been purchased taking into consideration any expected collection delays that may occur, which is based on past experience of the collections pattern from these customers. Such estimate requires significant judgement and adjustments may be made in future periods, if collection patterns from customers changes significantly.

*ii) Key sources of estimation uncertainty*

Other than as discussed below, the management is of the opinion that there are no other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**PROCO ISSUER PTE. LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**March 31, 2015**

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**

Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the company is based on the evaluation of collectibility and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history, the period over which the debts are aged and the extent of any credit insurance coverage. If the financial conditions of customers of the company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade receivables and other receivables are disclosed in Notes 7 and 8.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT**

*(a) Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	920,134	1,026,944
Derivative financial instruments	<u>154</u>	<u>58</u>
<b>Financial liabilities</b>		
Amortised cost	<u>616,605</u>	<u>788,800</u>

*(b) Financial risk management policies and objectives*

The company's overall risk management policy seeks to minimise potential adverse effects of financial performance of the company.

There has been no change to the company's exposure to these financial risks or the manner in which it manages and measures these risks.

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**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS  
AND CAPITAL RISKS MANAGEMENT (cont'd)**

i) Foreign exchange risk management

The company transacts business in various foreign currencies, including the Euro, United States dollar and Singapore dollar, and therefore is exposed to foreign exchange risk. These exposures are managed, to the extent possibly by offsetting financial assets and liabilities that are denominated in the same currencies. The company also uses forward contracts to hedge its exposure to foreign currency risk in the local reporting currency. Further details on these derivative financial instruments are found in Note 10 to the financial statements.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the company's functional currency are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2015</u> GBP'000	<u>2014</u> GBP'000	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Euro	146,120	305,224	137,640	289,758
United States dollar	50,038	40,861	46,376	39,509
Singapore dollar	<u>10</u>	<u>10</u>	<u>96</u>	<u>7,688</u>

If the British Pounds strengthen/weaken by 10% against the relevant foreign currency, profit before tax will increase (decrease) by:

	<u>Profit or loss</u>	
	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Euro	(848)	(1,547)

No sensitivity analysis is performed for United States dollar and Singapore dollar as any impact on profit or loss would not be material.

ii) Interest rate risk management

The company's exposure to interest rate risk is primarily attributable to loans receivable from intermediate holding company, debenture loans from the immediate holding company and loans payable to intermediate holding company as disclosed in Notes 9, 14 and 15 to the financial statements. The company's exposure to interest rate risk is limited to the floating rate on the debenture loans and loans receivable from/payables to the intermediate company and management is of the opinion that the interest rate is manageable and accordingly the company does not hedge against interest rate risk.

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**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS  
AND CAPITAL RISKS MANAGEMENT (cont'd)**

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's profit before tax for the financial year ended March 31, 2015 would decrease by GBP2,292,000 (2014 : GBP2,451,000) respectively. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

The company's principal financial assets are cash and cash equivalents and trade and other receivables. Cash is placed with creditworthy financial institutions. The trade receivables are acquired from related companies whereby the related companies set credit terms and limits for customers and monitor compliance with these terms. The related companies act as the collection agent for the company while the company monitors the collections made on behalf by the related companies on a regular basis. Where appropriate, credit guarantee insurance cover is purchased. The company has a large pool of receivables arising from factoring.

The company has significant receivables from related companies (Note 8). Management considers the credit risk relating to these intercompany receivables to be low.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the company's maximum exposure to credit risk.

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**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS  
AND CAPITAL RISKS MANAGEMENT (cont'd)**

iv) Liquidity risk management

Liquidity risk reflects the risk that the company will have insufficient resources to meet its financial liabilities as they fall due. The company's operations are largely financed by debenture loans from the immediate holding company and equity. Management is of the opinion that funding from the immediate holding company and/or related companies will be available as and when required.

All financial liabilities in 2015 and 2014 are repayable on demand or due within 1 year from the end of the reporting period.

v) Fair value of the financial asset and liability

Some of the company's financial asset and financial liability is measured at fair value at the end of each reporting period. The following table gives information about how the values of this financial asset and financial liability are determined (in particular, the valuation technique(s) and input(s) used).

Financial asset (liability)	Fair value as at (GBP'000)		Fair value hierarchy	Valuation technique(s) and key input(s)
	2015	2014		
	Asset	Asset		
Derivative Financial Instruments (Note 10)				
Forward foreign exchange contract	154	58	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no significant transfer between Level 1 and Level 2 of the fair value hierarchy in the period.

The carrying amounts of financial assets and financial liabilities approximate their respective net fair values due to the relatively short-term maturity of these financial instruments.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS  
AND CAPITAL RISKS MANAGEMENT (cont'd)

*(d) Capital risk management policies and objectives*

The company reviews its capital structure at least annually to ensure that the company will be able to continue as a going concern. The capital structure of the company comprises only of issued capital, retained earnings and short-term debenture loans from immediate holding company. The company overall strategy remained unchanged from 2014.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a wholly-owned subsidiary of Tata Steel Global Procurement Company Pte. Ltd., incorporated in Singapore. The company's intermediate holding companies are Tata Steel Holdings Pte. Ltd. and Tata Steel Global Holdings Pte. Ltd., both incorporated in Singapore. The company's ultimate holding company is Tata Steel Limited, incorporated in India. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group. The intercompany balance is unsecured, interest-free and repayable on demand except as disclosed in Notes 9, 14 and 15 to the financial statements.

During the year, other than as disclosed elsewhere in the financial statements, the company entered into the following significant transactions with related companies:

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<u>With intermediate holding company</u>		
Interest income from intermediate holding company	(1,560)	(929)
Interest paid/payable to intermediate holding company	<u>101</u>	<u>119</u>
<u>With immediate holding company</u>		
Interest paid/payable to immediate holding company	<u>36,970</u>	<u>39,232</u>
<u>With related companies</u>		
Purchase of receivables from related companies	3,635,263	4,169,769
Factoring income from related companies	(112,669)	(119,543)
Service fee expense to related companies	<u>4,018</u>	<u>4,116</u>

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**NOTES TO FINANCIAL STATEMENTS**

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5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (cont'd)

*Compensation of directors and key management personnel*

There are no key management personnel other than the directors of the company. These directors are paid remuneration by related companies in their capacities as directors and/or executives of the related companies.

6 CASH AND CASH EQUIVALENTS

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Cash at bank	<u>292</u>	<u>302</u>

7 TRADE RECEIVABLES

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Outside parties	411,232	601,716
Less: Allowance for doubtful trade receivables	<u>(2,917)</u>	<u>(5,310)</u>
	<u>408,315</u>	<u>596,406</u>

The average credit period on the purchased receivables ranges from 7 to 94 days (2014 : 23 to 79 days). No interest is charged on the overdue balances.

The trade receivables are acquired from related companies at discounts, whereby the related companies set credit terms and limits for customers and monitor compliance with these terms. The related companies act as the collection agents for the company while the company monitors the collections made on behalf by the related companies on a regular basis. Where appropriate, credit guarantee insurance cover is purchased.

Included in the company's trade receivable balance are debtors with a carrying amount of approximately GBP73,680,000 (2014 : GBP77,151,000) which are past due at the end of the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The due dates of the receivables are based on the credit terms extended to the third party customers by the related companies for which the receivables were purchased from. The company does not hold any collateral over these balances.

As at the end of the reporting period, an allowance has been made for estimated irrecoverable receivable from outside parties amounting to approximately GBP2,917,000 (2014 : GBP5,310,000). This allowance has been determined after taking into consideration the age of the debts and recovery prospects. Management has also assessed that balances that are not past due at the end of the reporting period to be collectible.



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**NOTES TO FINANCIAL STATEMENTS**  
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7 TRADE RECEIVABLES (cont'd)

*Ageing of receivables that are past due but not impaired*

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
<1 month	49,868	67,849
1 month to 3 months	15,047	6,557
3 months to 6 months	7,005	2,239
> 6 months	<u>1,760</u>	<u>506</u>
	<u>73,680</u>	<u>77,151</u>

*Movement in the allowance for doubtful debts*

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Balance at beginning of the year	5,310	5,584
Amounts written off during the year	(213)	-
Reversal of allowance recognised in profit or loss	<u>(2,180)</u>	<u>(274)</u>
Balance at end of year	<u>2,917</u>	<u>5,310</u>

8 OTHER RECEIVABLES

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Related companies (Note 5)	166,326	215,215
Accrued interest income on loans to immediate holding company (Note 5)	153	61
Other receivable from immediate holding company (Note 5)	<u>-</u>	<u>9</u>
	<u>166,479</u>	<u>215,285</u>

Other receivables from related companies largely represent collections from purchased trade receivables that had not been remitted to the company at the end of the financial year.

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**NOTES TO FINANCIAL STATEMENTS**  
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9 LOAN RECEIVABLES DUE FROM INTERMEDIATE HOLDING COMPANY

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Intermediate holding company (Note 5)	<u>345,048</u>	<u>214,951</u>

As at March 31, 2015, loan receivables due from intermediate holding company are under a cash-pooling arrangement, unsecured, bear interest rates ranging from 0.11% to 0.52% (2014 : 0.13% to 0.47%) per annum, and are repayable upon demand.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Forward foreign exchange contracts	<u>154</u>	<u>58</u>

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the company is committed are as follows:

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Forward foreign exchange contracts	<u>13,855</u>	<u>16,358</u>

***Changes in the fair value of derivative financial instruments***

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Opening fair value of derivative financial instruments	58	(6)
Fair value gains of derivative financial instruments recognised in profit or loss	<u>96</u>	<u>64</u>
Closing fair value of derivative financial instruments	<u>154</u>	<u>58</u>

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## 10 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The following table details the forward foreign currency contracts outstanding as at March 31, 2015:

<u>Outstanding contracts</u>	<u>Average exchange rate</u>	<u>Foreign currency FC\$'000</u>	<u>Contract value GBP'000</u>	<u>Fair value gain (loss) GBP'000</u>
Sell Euro less than 3 months	0.73	8,934	6,491	296
Sell Euro less than 6 months	0.73	2,322	1,687	(13)
Buy Euro less than 3 months	0.73	2,854	2,073	(10)
Sell USD less than 3 months	0.68	4,199	2,844	(119)
Sell USD less than 6 months	0.68	34	23	(1)
Buy USD less than 3 months	0.68	1,088	<u>737</u>	<u>1</u>
Total			<u>13,855</u>	<u>154</u>

The following table details the forward foreign currency contracts outstanding as at March 31, 2014:

<u>Outstanding contracts</u>	<u>Average exchange rate</u>	<u>Foreign currency FC\$'000</u>	<u>Contract value GBP'000</u>	<u>Fair value gain GBP'000</u>
Sell Euro less than 3 months	0.83	12,374	10,247	45
Sell Euro less than 6 months	0.83	5,803	4,805	7
Sell USD less than 3 months	0.60	1,445	869	5
Sell USD less than 6 months	0.60	726	<u>437</u>	<u>1</u>
Total			<u>16,358</u>	<u>58</u>

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11 DEFERRED TAX ASSET

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Deferred tax asset	<u>141</u>	<u>266</u>

The deferred tax asset is recognised by the company in the current year on account of allowance of doubtful debts. The movement during the reporting period is as follow:

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Balance at beginning of year	266	-
(Charge) Credit to profit and loss for the year (Note 20)	<u>(125)</u>	<u>266</u>
Balance at end of year	<u>141</u>	<u>266</u>

12 DEFERRED FACTORING INCOME

Deferred factoring income pertains to unearned revenue from the trade receivables acquired.

13 ACCRUED EXPENSES

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Accrued interest on debenture loans from immediate holding company (Note 5)	7,407	10,348
Accrued interest due to intermediate holding company (Note 5)	*	10
Accrued expenses due to related companies (Note 5)	1,076	1,134
Other accrued expenses	<u>34</u>	<u>33</u>
	<u>8,517</u>	<u>11,525</u>

\* Amount is less than GBP1,000

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14 DEBENTURE LOANS FROM IMMEDIATE HOLDING COMPANY

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Debenture loans from immediate holding company	<u>607,976</u>	<u>769,587</u>

Debenture loans from immediate holding company are unsecured, bear interest at 4.45% to 5.45% (2014 : 5.45%) plus one month LIBOR per annum and are repayable within 12 months (2014 : 12 months) from the date of inception of the loans.

15 LOANS PAYABLE DUE TO INTERMEDIATE HOLDING COMPANY

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Loans payable due to intermediate holding company (Note 5)	<u>112</u>	<u>7,688</u>

Loans due to intermediate holding company are under cash-pooling arrangement, unsecured, bear interest at 1.59% (2014 : 1.55%) per annum and are repayable upon demand.

16 SHARE CAPITAL

	<u>2015</u> Number of ordinary shares	<u>2014</u> Number of ordinary shares	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Issued and fully paid	<u>2</u>	<u>2</u>	<u>*</u>	<u>*</u>

\* Amount is less than GBP1,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

17 REVENUE

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Factoring income from related companies	<u>112,669</u>	<u>119,543</u>

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18	OTHER OPERATING INCOME - NET	<u>2015</u> GBP'000	<u>2014</u> GBP'000
	(Loss) Gain on foreign exchange, net	(306)	1,267
	Reversal of allowance for doubtful trade receivables	2,180	-
	Fair value gains on derivative financial instruments (Note 10)	96	64
	Interest income from:		
	Intermediate holding company (Note 5)	1,560	929
	Outsides parties	<u>19</u>	<u>31</u>
		<u>3,549</u>	<u>2,291</u>
19	FINANCE COSTS	<u>2015</u> GBP'000	<u>2014</u> GBP'000
	Interest charges on debenture loans from immediate holding company (Note 5)	36,970	39,232
	Interest charges from:		
	Intermediate holding company (Note 5)	101	119
	Outside parties	<u>12</u>	<u>-</u>
		<u>37,083</u>	<u>39,351</u>
20	INCOME TAX EXPENSE	<u>2015</u> GBP'000	<u>2014</u> GBP'000
	Current income tax:		
	- Current year	3,785	3,971
	- Underprovision in prior year	113	333
	Deferred tax expense (credit) (Note 11):		
	- Current year	125	13
	- Overprovision prior year	<u>-</u>	<u>(279)</u>
		<u>4,023</u>	<u>4,038</u>

The income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

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20 INCOME TAX EXPENSE (cont'd)

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Profit before income tax	<u>74,859</u>	<u>78,429</u>
Tax calculated at statutory rate	12,726	13,333
Tax concession	(8,521)	(9,264)
Effect of non-deductible (non-taxable) items	(387)	(47)
Tax-exempt income and rebate	(23)	(28)
Underprovision in prior year	113	54
Others	<u>115</u>	<u>(10)</u>
Tax expense for the financial year	<u>4,023</u>	<u>4,038</u>

During the year ended March 31, 2013, the company was awarded the Global Trader Programme (“GTP”) status by International Enterprise Singapore (“IE Singapore”) for a period of 4 years 5 months, effective from November 1, 2012. Under the GTP status, the company enjoys a concessionary tax rate of 5% for profits derived from qualifying activities. Profits from non-qualifying sources, if any, are fixed at 17%.

21 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	<u>2015</u> GBP'000	<u>2014</u> GBP'000
Reversal of allowance for doubtful trade receivables	(2,180)	(274)
Fair value gains on derivative financial instruments (Note 10)	(96)	(64)
Loss (Gain) on foreign exchange, net	306	(1,267)
Staff cost	<u>183</u>	<u>175</u>

The directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.