

**Tata Steel International (Middle East) FZE
Jebel Ali Free Zone
Dubai - United Arab Emirates**

**Report and financial statements
for the year ended 31 March 2016**

Tata Steel International (Middle East) FZE

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Tata Steel International (Middle East) FZE
Jebel Ali Free Zone
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Tata Steel International (Middle East) FZE - Jebel Ali Free Zone, Dubai, United Arab Emirates**, (the "Establishment") which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Establishment's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment'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.

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Tata Steel International (Middle East) FZE - Jebel Ali Free Zone, Dubai, United Arab Emirates** as at 31 March 2016, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also in our opinion, all necessary books and records were maintained by the Establishment and the physical inventory count was properly conducted. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the provisions of the Implementing Regulation 1/92 pursuant to Law Number (9) of 1992, which might have materially affected the financial position of the Establishment or its financial performance.

Deloitte & Touche

30 June 2016



**Statement of financial position
as at 31 March 2016**

	Notes	2016 AED	2015 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	611,371	1,167,664
Current assets			
Inventories	6	6,634,945	5,794,858
Due from related parties	7	5,069,086	6,371,723
Short-term loan to a related party	7	94,667,053	85,477,053
Trade and other receivables	8	12,855,536	10,947,430
Other financial assets	9	1,221,499	1,671,499
Cash and cash equivalents	10	5,642,880	12,774,193
Total current assets		126,090,999	123,036,756
Total Assets		126,702,370	124,204,420
EQUITY AND LIABILITIES			
Equity			
Share capital	12	45,000,000	45,000,000
Capital reserve	13	870,000	870,000
Retained earnings		68,219,694	32,754,595
Total Equity		114,089,694	78,624,595
Non-current liabilities			
Provision for employees' end-of-service indemnity	14	1,645,865	1,432,651
Current liabilities			
Trade and other payables	15	4,942,871	5,386,807
Due to related parties	7	6,023,940	38,760,367
Total current liabilities		10,966,811	44,147,174
Total Liabilities		12,612,676	45,579,825
Total Equity and Liabilities		126,702,370	124,204,420


.....
Regional Commercial Manager


.....
Senior Finance Manager

The accompanying notes form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 March 2016

	Notes	2016 AED	2015 AED
Revenue		40,642,083	43,367,020
Cost of sales		(29,107,430)	(31,900,277)
Gross profit		11,534,653	11,466,743
Other income - net	16	3,259,093	4,468,338
Selling and distribution expenses	17	(380,896)	(560,057)
General and administrative expenses	18	(12,398,720)	(11,640,001)
Profit for the year		2,014,130	3,735,023
Other comprehensive income		-	-
Total comprehensive income		2,014,130	3,735,023

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
for the year ended 31 March 2016

	Share capital AED	Capital reserve AED	Retained earnings AED	Total AED
Balance at 1 April 2014	45,000,000	870,000	29,019,572	74,889,572
Total comprehensive income	-	-	3,735,023	3,735,023
Balance at 31 March 2015	45,000,000	870,000	32,754,595	78,624,595
Total comprehensive income	-	-	2,014,130	2,014,130
Common control transaction during the year [Note 7(b)]	-	-	33,450,969	33,450,969
Balance at 31 March 2016	45,000,000	870,000	68,219,694	114,089,694

The accompanying notes form an integral part of these financial statements

Statement of cash flows
for the year ended 31 March 2016

	2016 AED	2015 AED
Cash flows from operating activities		
Profit for the year	2,014,130	3,735,023
Adjustments for:		
Depreciation of property, plant and equipment	556,293	659,781
Net reversal of allowance for reduction of net realisable value of inventory	(362,128)	(368,508)
(Reversal of)/increase in provision for customer claims	(98,220)	34,348
Gain on disposal of assets classified as held for sale (Note 11)	-	(183,803)
Provision for employees' end-of-service indemnity	342,474	275,568
Net reversal of allowance for doubtful debts	(220,095)	(50,650)
Operating cash flows before changes in operating assets and liabilities	2,232,454	4,101,759
(Increase)/decrease in inventories	(477,959)	426,427
Decrease/(increase) in due from related parties	1,302,637	(914,775)
(Increase) in trade and other receivables	(1,688,011)	(3,256,000)
(Decrease)/increase in trade and other payables	(345,716)	408,450
Increase in due to related parties	714,542	553,105
Cash generated from operations	1,737,947	1,318,966
Employees' end-of-service indemnity paid	(129,260)	(38,371)
Net cash generated from operating activities	1,608,687	1,280,595
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(19,034)
Proceeds from disposal of assets classified as held for sale	-	1,838,000
Decrease in other financial assets	450,000	1,600,000
Net cash generated from investing activities	450,000	3,418,966
Cash flows from financing activities		
(Increase)/decrease in loan to a related party	(9,190,000)	2,482,200
Net cash (used in)/from financing activities	(9,190,000)	2,482,200
Net (decrease)/increase in cash and cash equivalents	(7,131,313)	7,181,761
Cash and cash equivalents at the beginning of the year	12,774,193	5,592,432
Cash and cash equivalents at the end of the year (Note 10)	5,642,880	12,774,193
<i>Non-cash transactions:</i>		
Trade receivables written-off (Note 8)	194,610	-
Common control transaction during the year [Note 7(b)]	33,450,969	-

The accompanying notes form an integral part of these financial statements

**Notes to the financial statements
for the year ended 31 March 2016**

1. General information

Tata Steel International (Middle East) FZE (the "Establishment") was incorporated as a Free Zone Establishment with limited liability on 2 September 2003 in the Jebel Ali Free Zone, Dubai, United Arab Emirates. Tata Steel International (Middle East) FZE is wholly owned by Tata Steel UK Limited (the "Parent Company"). Tata Steel Limited is the ultimate parent company. The address of the Establishment's registered corporate office is, P.O. Box 18294, Jebel Ali Free Zone, Dubai, United Arab Emirates.

The principal activity of the Establishment is manufacturing and trading of steel products (beams, columns, plates, etc) used in the construction industry.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRS applied with no material effect on the financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010-2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011-2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Establishment has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
• IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
• Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative.	1 January 2016
• Amendments to IFRS 11 <i>Joint Arrangements</i> relating to accounting for acquisitions of interests in joint operations.	1 January 2016
• Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants.	1 January 2016
• Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016

Notes to the financial statements
for the year ended 31 March 2016 (continued)

2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 *New and revised IFRS in issue but not yet effective and not early adopted (continued)*

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
<ul style="list-style-type: none"> • Amendments to IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities. 	1 January 2016
<ul style="list-style-type: none"> • Annual Improvements to IFRSs 2012-2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 19. 	1 January 2016
<ul style="list-style-type: none"> • Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9. 	When IFRS 9 is first applied
<ul style="list-style-type: none"> • IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. 	When IFRS 9 is first applied
<ul style="list-style-type: none"> • Finalised version of IFRS 9 [IFRS 9 <i>Financial Instruments</i> (2014)] was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract. 	1 January 2018
<ul style="list-style-type: none"> • IFRS 15 <i>Revenue from Contracts with Customers</i>: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. 	1 January 2018
<ul style="list-style-type: none"> • IFRS 16 <i>Leases</i>: IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. 	1 January 2019
<ul style="list-style-type: none"> • Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. 	Effective date deferred indefinitely

Notes to the financial statements
for the year ended 31 March 2016 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS")
(continued)

2.2 *New and revised IFRS in issue but not yet effective and not early adopted (continued)*

Management anticipates that these new standards, interpretations and amendments will be adopted in the Establishment's financial statements for the year beginning 1 April 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Establishment in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Establishment's financial statements for the annual year beginning 1 January 2018 and IFRS 16 will be adopted for the annual year beginning 1 January 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Establishment's financial statements in respect of revenue from contracts with customers, the Establishment's financial assets and financial liabilities and leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Establishment performs a detailed review.

3. Significant accounting policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Establishment has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Establishment retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Establishment; and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Revenue recognition (continued)

Commission income

Commission income is recognised when the service is rendered in accordance with the contractual arrangements, when the goods have been delivered and the amount of the commission can be measured reliably.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Foreign currency transactions

The financial statements of the Establishment are presented in the currency of the primary economic environment in which the Establishment operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Establishment are expressed in Arab Emirates Dirhams (AED), which is the functional currency of the Establishment and the presentation currency of the financial statements.

Transactions in currencies other than the Establishment's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 are recognised in the statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, as follows:

	<u>Years</u>
Buildings	10
Plant and equipment	3 to 10
Motor vehicles	4

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the pattern of economic benefits expected to flow to the Establishment through the use of items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Establishment and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when incurred.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Assets classified as held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. There must be sufficient evidence that the entity remains committed to its plan to sell the assets.

Immediately prior to being classified as held for sale the carrying amount of assets and liabilities are measured in accordance with IAS 16: *Property, Plant and Equipment*. After classification as held for sale it is measured at the lower of the carrying amount and the fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

Impairment of tangible assets

At each reporting date, the Establishment reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Establishment estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Establishment as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Establishment as a lessor

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is arrived at using the weighted average costing method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments (HTM), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the Establishment are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Establishment's cash and cash equivalents, other financial assets, trade receivables, other receivables (excluding prepaid expenses), amounts due from related parties and short-term loan to a related party are classified under this category. Cash and cash equivalents consist of cash on hand and cash held in current accounts.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

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 all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and amounts due from related parties, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Establishment's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 financial asset's 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 trade receivables, where the carrying amount is reduced through the use of an allowance account. When a contract receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. 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 that the carrying amount of the investment, at the date the impairment loss is reversed, does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Establishment 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 Establishment neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Establishment recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Establishment retains substantially all the risks and rewards of ownership of a transferred financial asset, the Establishment continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Establishment retains an option to repurchase part of a transferred asset), the Establishment allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Establishment are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by the Establishment are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including trade and other payables and due to related parties are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Establishment derecognises financial liabilities when, and only when, the Establishment's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Establishment will be required to settle the obligation, 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 risk 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 (when the effect of time value of money is material).

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.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Establishment's accounting policies, which are described in Note 3, management is required to make judgments, 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Establishment's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgment on revenue recognition, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18: *Revenue* and, in particular, whether the Establishment had transferred to the buyer the significant risks and rewards of ownership of the goods. Management are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

4. Critical accounting judgment and key sources of estimation uncertainty (continued)

Critical judgments in applying accounting policies (continued)

Assets classified as held for sale

In the process of classifying assets as held for sale, management has made various judgments. Judgment is needed to determine whether the asset qualifies as an asset held for sale based on management's assessment of the probability of the sale and if there is sufficient evidence that the entity remains committed to its plan to sell the assets. In making its judgment, management considered the detailed criteria and related guidance for the classification of assets classified as held for sale as set out in IFRS 5 and in particular, the progress and status of the discussions surrounding the disposal of the assets.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for reduction of net realisable value

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at an individual line item level for estimated excess or obsolescence. Factors influencing these adjustments include changes in demand, product life cycle, product pricing, physical deterioration and quality issues.

Allowance for doubtful debts

At each reporting date, management conducts a detailed review of receivable balances. An allowance for doubtful debts is established based on this review, taking into account management's experience and the prevailing economic conditions, including the overall quality and aging of receivables, credit evaluation of the customer's financial condition. In addition, specific allowances for individual accounts are recorded when the Establishment becomes aware of the customer's inability to meet its financial obligations.

Warranty claims

The Establishment offers warranties for its products to their key customers in line with its client relationship management policy. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Establishment's productivity and quality initiatives, as well as material and labour costs.

Renewal of lease for land on which buildings are constructed

Management determines the estimated useful lives and related depreciation charges for its buildings. This estimate is based on an assumption that the Establishment will renew its annual lease of land on which the building is constructed over the estimated useful life. The depreciation charge would change should the annual lease not be renewed. Management will increase the depreciation charge prospectively where useful lives are less than previously estimated lives.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

5. Property, plant and equipment

	Buildings AED	Plant and equipment AED	Motor vehicles AED	Total AED
Cost				
Balance at 1 April 2014	7,466,235	6,773,689	149,299	14,389,223
Additions	-	19,034	-	19,034
Balance at 31 March 2015	7,466,235	6,792,723	149,299	14,408,257
Written-off	-	(2,230)	-	(2,230)
Balance at 31 March 2016	7,466,235	6,790,493	149,299	14,406,027
Accumulated depreciation				
Balance at 1 April 2014	6,352,769	6,114,094	113,949	12,580,812
Charge for the year	364,620	271,581	23,580	659,781
Balance at 31 March 2015	6,717,389	6,385,675	137,529	13,240,593
Charge for the year	263,387	281,136	11,770	556,293
Written-off	-	(2,230)	-	(2,230)
Balance at 31 March 2016	6,980,776	6,664,581	149,299	13,794,656
Carrying amount				
As at 31 March 2016	485,459	125,912	-	611,371
As at 31 March 2015	748,846	407,048	11,770	1,167,664

The plot of land, on which the buildings are constructed, is leased from the Jebel Ali Free Zone Authority. The land is leased for a period of 10 years (from 28 September 2013 until 27 September 2023) with an option to renew.

6. Inventories

	2016 AED	2015 AED
Raw materials	5,144,019	4,520,766
Finished goods	331,510	367,935
	5,475,529	4,888,701
Allowance for reduction of net realizable value	(718,259)	(1,080,387)
	4,757,270	3,808,314
Goods in transit	1,877,675	1,986,544
	6,634,945	5,794,858

The cost of inventories recognised as an expense during the year was AED 17,410,694.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

6. Inventories (continued)

Movement in the allowance for reduction of net realizable value:

	2016 AED	2015 AED
Balance at the beginning of the year	1,080,387	1,448,895
Charge for the year	61,481	-
Net reversal of allowance recognised in the statement of comprehensive income (a)	(423,609)	(368,508)
Balance at the end of the year	718,259	1,080,387

(a) Included within cost of sales upon sale of inventory.

7. Related party transactions

The Establishment enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control and key management personnel. The management decides on the terms and conditions of the transactions with related parties.

a) At the reporting date, due from/to related parties were as follows:

	2016 AED	2015 AED
<i>Due from related parties</i>		
Companies under common control	5,069,086	6,371,723
<i>Short-term loan to a related party</i>		
Parent Company [Note 7(i)]	94,667,053	85,477,053
<i>Due to related parties</i>		
Companies under common control [Note 7(ii)]	6,023,940	38,760,367

i) The short-term loan to a related party was granted interest-free and is to be repaid on 22 July 2016 or rolled over to a later date as agreed with the Parent Company. The Establishment does not hold any collateral over this balance.

ii) During the year, upon formal liquidation of a related party, balances due to the related party amounting to AED 33,450,969 were waived following a board resolution dated 30 November 2015 and accordingly adjusted through retained earnings.

b) The nature of significant related party transactions and the amounts involved were as follows:

	2016 AED	2015 AED
<i>Companies under common control</i>		
Sales	-	56,293
Purchases	25,535,449	22,840,621
Commission earned (Note 16)	1,032,473	4,017,374
Rental income (Note 16)	813,974	813,974
Branding expenses (Note 17)	118,593	188,538

Notes to the financial statements
for the year ended 31 March 2016 (continued)

7. Related party transactions (continued)

c) As at 31 March 2015, there were joint credit facilities amounting to AED 74,560,000 availed by the Establishment and Almana Steel Dubai (Jersey) Limited, a related party. During the current year, upon formal dissolution of Almana Steel Dubai (Jersey) Limited, an independent credit facility has been entered into by the Establishment. The aggregate principal amount of the facilities outstanding at any one time or, where appropriate the Dirham equivalent thereof shall not exceed AED 16,200,000. The facility was arranged on 10 September 2015 and shall be due for renewal on 31 August 2016.

- A limit, not exceeding AED 16,200,000 at any given time, interchangeable between bank overdrafts, clean bills purchased, guarantee line, import line-1 and import line-2 is available for the Establishment as stated below.

The details of the combined limit available to the Establishment are as follows:

- Guarantee line (Fixed expiry) with a sublimit of AED 5,000,000 for the purpose of issuing advance payment guarantees, performance bond guarantees, financial guarantees, tender bond guarantees and retention bond guarantees.
- Guarantee line (open ended) with a sublimit of AED 11,000,000 for the purpose of issuing advance payment guarantees, performance bond guarantees, financial guarantees, tender bond guarantees and retention bond guarantees which will be issued to Government related entities only.
- Overdraft facility with a sublimit of AED 1,835,000 for the purpose of meeting the working capital requirement.
- Import line-2 with a sublimit of AED 11,000,000 for the purpose of issuing documentary credit, bills receivable and deferred payment credit with a maximum usance period of 120 days.
- Import line-2 with a sublimit of AED 11,000,000 for the purpose of issuing clean import loan (CIL) with a maximum usance period of 90 days.
- Credit card facilities with a sub-limit of AED 200,000.
- Foreign exchange line is determined at the time dealing subject to fluctuation at the banks discretion and forward deals up to 6 months.

The facilities are secured by a letter of comfort from the Parent Company covering the credit facilities for AED 16.2 million.

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2016 AED	2015 AED
Salaries and short-term benefits	1,344,088	1,297,836
End-of-service benefits	132,376	99,463
	<u>1,476,464</u>	<u>1,397,299</u>

Notes to the financial statements
for the year ended 31 March 2016 (continued)

8. Trade and other receivables

	2016 AED	2015 AED
Trade receivables	12,708,271	10,732,919
Less: Allowance for doubtful debts	(411,589)	(826,294)
	<u>12,296,682</u>	<u>9,906,625</u>
Prepayments	338,983	418,533
Other receivables	219,871	622,272
	<u>12,855,536</u>	<u>10,947,430</u>

The average credit period on sales of goods is 90 days (2015: 90 days). No interest is charged on past due trade receivables. The recoverability of trade receivables is reviewed on a case by case basis and those considered doubtful of recovery are provided for.

Before accepting any new customer, the Establishment uses an external credit scoring system wherever obtainable, to assess the potential customer's credit quality and defines credit limits by customer. As at 31 March 2016, the top seven customers account for 78 % of the total receivable amount (2015: top seven customers accounted for 65 % of the total receivable amount).

Included in the Establishment's trade receivable balance are debtors with a carrying amount of AED 2,087,199 (2015: AED 2,741,954) which are past due at the reporting date for which the Establishment has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Establishment does not hold any collateral over these balances.

Ageing of past due but not impaired:

	2016 AED	2015 AED
<i>Overdue by:</i>		
1 - 30 days	1,387,292	873,572
31 - 60 days	698,647	1,341,307
61 - 90 days	-	268,274
Over 91 days	1,260	258,801
Total	<u>2,087,199</u>	<u>2,741,954</u>

Movement in the allowance for doubtful debts:

	2016 AED	2015 AED
Balance at the beginning of the year	826,294	876,944
Amounts written-off during the year	(194,610)	-
Net reversal of allowance recognised in the statement of comprehensive income (Note 18)	(220,095)	(50,650)
Balance at the end of the year	<u>411,589</u>	<u>826,294</u>

Notes to the financial statements
for the year ended 31 March 2016 (continued)

8. Trade and other receivables (continued)

In determining the recoverability of a trade receivable, the Establishment considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that there is no further allowance required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

	2016 AED	2015 AED
Less than 30 days	86,085	97,064
Between 31 to 60 days	77,628	149,034
Between 61 to 90 days	-	29,792
Over 91 days	247,876	550,404
	<u>411,589</u>	<u>826,294</u>

9. Other financial assets

	2016 AED	2015 AED
Margin deposits	<u>1,221,499</u>	<u>1,671,499</u>

Margin deposits are held by banks against letters of guarantee.

10. Cash and cash equivalents

	2016 AED	2015 AED
Cash on hand	19,900	44,779
Bank balances – current accounts	5,622,980	12,729,414
	<u>5,642,880</u>	<u>12,774,193</u>

11. Assets classified as held for sale

	2016 AED	2015 AED
Balance at 31 March	-	1,654,197
Disposal of assets	-	(1,654,197)
	<u>-</u>	<u>-</u>

In the prior year, upon the announcement of the restructuring exercise by the Parent Company (Note 24), management of the Establishment reached a decision to dispose of its 'cut-to-length' production line. On 19 January 2015, the Establishment entered into a sale and purchase agreement with a third party to dispose of the assets to the third party at an agreed-upon purchase price of USD 500,000 (AED 1,838,000). Accordingly a gain amounting to AED 183,803 was recorded as at 31 March 2015 as a result of the disposal of the assets (Note 16).

Notes to the financial statements
for the year ended 31 March 2016 (continued)

12. Share capital

	2016 AED	2015 AED
<i>Authorised and paid up:</i>		
45 shares of AED 1 million each	<u>45,000,000</u>	<u>45,000,000</u>

13. Capital reserve

	2016 AED	2015 AED
Capital reserve	<u>870,000</u>	<u>870,000</u>

The capital reserve relates to share premium of AED 300,000 that was paid in 2004 in excess of the nominal value of the shares. During the year ended 31 March 2012, the shareholder waived an amount payable of AED 570,000 and resolved that this amount should be added to the capital reserve.

14. Provision for employees' end-of-service indemnity

	2016 AED	2015 AED
Balance at the beginning of the year	1,432,651	1,195,454
Amounts paid during the year	(129,260)	(38,371)
Net increase in provision recognised during the year	<u>342,474</u>	<u>275,568</u>
Balance at the end of the year	<u>1,645,865</u>	<u>1,432,651</u>

Provision for employees' end-of-service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

15. Trade and other payables

	2016 AED	2015 AED
Trade payables	1,046,054	1,291,201
Accruals	2,533,622	2,042,029
Other payables	729,905	1,261,036
Customer claims provision	<u>633,290</u>	<u>792,541</u>
	<u>4,942,871</u>	<u>5,386,807</u>

Trade payables principally comprise amounts outstanding for trade purchases and operational expenses.

	2016 AED	2015 AED
<i>Movement in provision for customer claims</i>		
Balance at the beginning of the year	792,541	919,384
Amounts utilized during the year	(61,031)	(161,191)
(Reversal of)/provision for customer claims, net (Note 18)	<u>(98,220)</u>	<u>34,348</u>
Balance at the end of the year	<u>633,290</u>	<u>792,541</u>

Notes to the financial statements
for the year ended 31 March 2016 (continued)

16. Other income - net

	2016 AED	2015 AED
Commission income [Note 7(b)]	1,032,473	4,017,374
Rental income [Note 7(b)]	813,974	813,974
Profit on sale of assets classified as held for sale (Note 11)	-	183,803
Income from sale of scrap	80,590	14,445
Foreign exchange gain/(loss)	915,665	(659,166)
Extinguishment of liabilities	335,025	-
Miscellaneous income	81,366	97,908
	<u>3,259,093</u>	<u>4,468,338</u>

17. Selling and distribution expenses

	2016 AED	2015 AED
Crane and truck hire expenses	224,597	274,259
Branding expenses [Note 7(b)]	118,593	188,538
Customs duty and clearing charges	5,688	9,429
Transportation expenses	-	26,821
Other expenses	32,018	61,010
	<u>380,896</u>	<u>560,057</u>

18. General and administrative expenses

	2016 AED	2015 AED
Employees' salaries and benefits	8,782,860	7,660,208
Rent	663,256	745,781
Depreciation on property, plant and equipment	556,293	659,781
Communication expenses	307,303	460,907
Legal and professional	331,605	303,750
Utilities	312,264	325,477
Repairs and maintenance	475,329	345,289
Vehicle expenses	158,635	161,617
(Reversal of)/ provision for customer claims (Note 15)	(98,220)	34,348
Travelling expenses	175,484	124,255
Computer expenses	94,880	76,876
Redundancy costs	-	58,607
Net reversal of allowance for doubtful debts (Note 8)	(220,095)	(50,650)
Other expenses	859,126	733,755
	<u>12,398,720</u>	<u>11,640,001</u>

Notes to the financial statements
for the year ended 31 March 2016 (continued)

19. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(b) Categories of financial instruments

	2016 AED	2015 AED
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>119,117,071</u>	<u>116,823,365</u>
Financial liabilities		
At amortized cost	<u>10,966,811</u>	<u>44,147,174</u>

(c) Fair values

The fair values of the financial assets and financial liabilities at reporting date approximate their carrying amounts in the statement of financial position.

20. Financial risk management

a) Financial risk management objectives

The Establishment's overall financial risk management program seeks to minimize potential adverse effects on the financial performance of the Establishment. The management provides guidelines for overall financial risk management and guidelines covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. Periodic reviews are undertaken to ensure that the Establishment's policy guidelines are complied with.

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

(b) Foreign currency risk management

The Establishment undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amount of the Establishment's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	31 March 2016 AED	31 March 2015 AED	31 March 2016 AED	31 March 2015 AED
GBP	145,026	201,340	1,877,432	3,084,672
EUR	9,222,482	5,369,651	2,861,263	1,868,189
	<u>9,367,508</u>	<u>5,570,991</u>	<u>4,738,695</u>	<u>4,952,861</u>

Notes to the financial statements
for the year ended 31 March 2016 (continued)

20. Financial risk management (continued)

(b) Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following table details the Establishment's sensitivity to a 10% increase and decrease in the Arab Emirates Dirham against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Arab Emirates Dirham strengthens 10% against the relevant currency. For a 10% weakening of the Arab Emirates Dirhams against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Foreign currency sensitivity analysis

	Profit or (loss)	
	2016	2015
	AED	AED
GBP	173,241	139,643
EUR	(636,122)	(121,928)

The other assets and liabilities in foreign currencies other than those disclosed in this note are denominated either in US Dollars or GCC countries denominated currencies which are all pegged to the US Dollar. As a result, no foreign currency risk arises on translation of these amounts to Arab Emirates Dirham, which is also pegged to the US Dollar.

(c) *Interest rate risk management*

The Establishment is not exposed to any interest rate risk.

(d) *Credit risk management*

Financial assets which potentially expose the Establishment to concentrations of credit risk comprise principally bank accounts and trade and other receivables. Credit risk with reference to trade and other receivables refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Establishment. The Establishment has adopted a policy of only dealing with creditworthy counterparties. The Establishment's exposure to its counterparties is monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are reputable banks which are registered in the U.A.E.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Where possible, the Establishment requests letters of credit and enters into credit insurance to limit its credit exposure.

Further details of credit risks on trade receivables are discussed in Note 8.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

20. Financial risk management (continued)

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management which has built a liquidity risk management framework for the management of the Establishment's short, medium and long-term funding. The Establishment manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. The Establishment has access to loans from related parties at its disposal to further reduce liquidity risk.

The following tables detail the Establishment's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Establishment can be required to pay. The table includes principal cash flows only:

	Less than 1 year AED'000	Total AED'000
2016		
Non- interest bearing instruments	<u>10,967</u>	<u>10,967</u>
2015		
Non- interest bearing instruments	<u>44,147</u>	<u>44,147</u>

The following tables detail the Establishment's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Establishment expects the cash flow:

	Less than 1 year AED'000	Total AED'000
2016		
Non- interest bearing instruments	<u>119,117</u>	<u>119,117</u>
2015		
Non- interest bearing instruments	<u>116,823</u>	<u>116,823</u>

21. Capital risk management

The Establishment manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Establishment's overall strategy remains unchanged from the previous reporting period.

The capital structure of the Establishment consists of cash and cash equivalents and equity comprising share capital, reserves and retained earnings.

Notes to the financial statements
for the year ended 31 March 2016 (continued)

22. Operating lease arrangements

The Establishment as lessee

Leasing arrangements

Operating leases relate to offices spaces and the lease of land from the Jebel Ali Free Zone Authority. At the reporting date, the Establishment has contracted as tenants for the following future minimum operating lease payments:

	2016 AED	2015 AED
Within one year	581,740	615,400
In the second to fifth years inclusive	2,160,000	2,160,000
More than five years	1,350,000	1,890,000
	<u>4,091,740</u>	<u>4,665,400</u>

All other operating leases have a lease term of 1 year, with an option to extend. All operating lease contracts contain market review clauses in the event that the Establishment exercises its option to renew. The Establishment does not have an option to purchase the leased assets at the expiry of their lease periods.

Payments recognised as an expense:

	2016 AED	2015 AED
Lease payments	<u>663,256</u>	<u>745,781</u>

23. Commitments and contingent liabilities

	2016 AED	2015 AED
<i>Contingent liabilities</i>		
Performance letter of Guarantee	<u>1,238,499</u>	<u>1,738,499</u>

24. Restructuring

In November 2014, the Parent Company announced its plans for the Establishment to carry on its operations under the new 'Organisation for Construction' in the Gulf Cooperation Council (GCC) region effective from 1 April 2015. As a result of the formal announcement made by the Parent Company, the restructuring exercise as previously announced on 4 April 2012 had been concluded as of 31 March 2015, and therefore no further restructuring provisions are required as at 31 March 2016.

**Notes to the financial statements
for the year ended 31 March 2016 (continued)**

25. Reclassifications

In accordance with the requirements of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, certain items have been corrected retrospectively and accordingly balances in the statement of comprehensive income for the prior year ended 31 March 2015, as previously reported have been restated as follows:

	As previously reported AED	Reclassifications AED	As restated AED
Cost of sales	31,830,096	70,181	31,900,277
Selling and distribution expenses	79,610	(70,181)	9,429
	<u>31,909,706</u>	<u>(0)</u>	<u>31,909,706</u>

The reclassification from selling and distribution expenses to cost of sales pertains to customs duty and clearing charges that were previously classified as selling and distribution expenses.

26. Approval of the financial statements

The financial statements were approved by the management and authorised for issue on 30 June 2016.