

ADANI GLOBAL FZE

Financial statements and reports
Year ended 31 March 2018

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ADANI GLOBAL FZE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors have pleasure in submitting the financial statements of Adani Global FZE (the "Establishment"), Jebel Ali, Dubai for the year ended 31 March 2018.

Turnover, profit and dividend

The turnover of the Establishment for the year ended 31 March 2018, amounted to AED 7,173,547,680 as compared to AED 5,654,796,260 in the previous year. The directors are confident of achieving further growth, both in volume of business and profitability in the coming years.

The profit for the year amounted to AED 48,658,060. The directors do not recommend any dividend for the year ended 31 March 2018.

Business activity

The Establishment's principal activity during the year was trading in metal scrap, metal finished products, coal and solar energy systems and components

Events during the year

During the year, vide amendment to memorandum of association of the establishment, notarised on 7 November 2017, the share capital of the establishment was reduced from AED 18,000,000 (18 shares of AED 1,000,000 each) to AED 16,600,000 (166 shares of AED 100,000 each).

Further, "Adani Global FZE (Branch)", of the Establishment was converted into a limited liability company "Adani Global DMCC" registered in DMCC, Dubai, UAE in accordance with the laws and regulations of Dubai Multi Commodities Centre Authority with 1,000 fully paid equity shares of AED 1,000 each held by the Establishment. Accordingly, Adani Global DMCC is now a 100% subsidiary of the Establishment.

Events after the reporting date

There were no major events occurred after the reporting date which materially affect the financial statements for the year ended 31 March 2018.

Directors

The directors of the Establishment as at 31 March 2018 were as follows:

Mr. Rakesh Shantilal Shah	Indian national
Mr. Pranav Sevanti Vora	American national

Independent auditor

PKF, Chartered Accountants, Dubai were appointed as independent auditor of the Establishment for the year ended 31 March 2018. A resolution to re-appoint them for the year ending 31 March 2019 will be proposed at the forthcoming annual general meeting.

For and on behalf of the board of directors of
ADANI GLOBAL FZE

PRANAV SEVANTI VORA
DIRECTOR
6 May 2018



INDEPENDENT AUDITOR'S REPORT

To the Shareholder of **ADANI GLOBAL FZE**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ADANI GLOBAL FZE** (the "Establishment"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Establishment as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of matter

We draw attention to note 1(e) to the financial statements which states that these financial statements are the separate financial statements of **ADANI GLOBAL FZE**. The consolidated financial statements of **ADANI GLOBAL FZE** and its subsidiary, which are required to be presented in accordance with International Financial Reporting Standard 10. Consolidated Financial Statements, are presented separately. Our opinion is not modified in this respect.

Other Information

Management is responsible for the other information. Other information comprises the Directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT

(continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for their compliance with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016, 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.

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

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Establishment's internal control.

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INDEPENDENT AUDITOR'S REPORT

(continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Report on Other Legal and Regulatory Requirements

We confirm that the financial statements comply with Jebel Ali Free Zone Companies Implementing Regulations 2016. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.

PKF
Dubai
United Arab Emirates
7 May 2018



ADANI GLOBAL FZE

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 AED '000	2017 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	641	1,612
Investment property	7	--	302
Investment in subsidiary	8	1,000	--
		<u>1,641</u>	<u>1,914</u>
Current assets			
Trade and other receivables	9	2,923,844	2,383,132
Amounts due from related parties	10	1,854,680	2,018,942
Other current financial assets	11	46,460	62,617
Cash and cash equivalents	12	47,497	25,018
		<u>4,872,481</u>	<u>4,489,709</u>
Total assets		<u>4,874,122</u>	<u>4,491,623</u>
EQUITY AND LIABILITIES			
Shareholder's equity funds			
Share capital	13	16,600	18,000
Retained earnings		2,123,775	2,236,544
		<u>2,140,375</u>	<u>2,254,544</u>
Non-current liabilities			
Provision for staff end-of-service benefits	14	144	791
		<u>144</u>	<u>791</u>
Current liabilities			
Short term borrowings	15	349,339	525,608
Trade and other payables	16	2,297,985	1,402,070
Amount due to a related party	10	86,015	308,610
Other current financial liabilities	17	264	--
		<u>2,733,603</u>	<u>2,236,288</u>
Total liabilities		<u>2,733,747</u>	<u>2,237,079</u>
Total equity and liabilities		<u>4,874,122</u>	<u>4,491,623</u>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 2 to 4.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgements underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Authorised for issue by the directors on 6 May 2018 and signed on their behalf by Mr. Pranav Sevanti Vora.

For **ADANI GLOBAL FZE**

Pranav Sevanti Vora

DIRECTOR



ADANI GLOBAL FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 AED '000	2017 AED '000
Revenue		7,173,548	5,654,796
Purchases of inventory		(7,086,078)	(5,537,678)
Changes in inventories		--	(35,297)
Gross profit		87,470	81,821
Other operating income	19	13,481	1,408
Staff costs	20	(1,459)	(6,308)
Depreciation	21	(1,250)	(3,011)
Other operating expenses	22	(17,002)	(27,408)
Interest income	23	761	600
Finance costs	24	(36,951)	(34,162)
Changes in fair value of held for trading financial assets (net)		3,608	21,972
PROFIT FOR THE YEAR		48,658	34,912
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		48,658	34,912

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 2 to 4



ADANI GLOBAL FZE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Retained earnings	Total
	AED '000	AED '000	AED '000
Balance at 1 April 2016	18,000	2,201,632	2,219,632
Total comprehensive income for the year	—	34,912	34,912
Balance at 31 March 2017	18,000	2,236,544	2,254,544
Reduction of share capital (note 13)	(1,400)	(161,427)	(162,827)
Total comprehensive income for the year	—	48,658	48,658
Balance at 31 March 2018	16,600	2,123,775	2,140,375

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 2 to 4.

ADANI GLOBAL FZE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018 AED '000	2017 AED '000
Cash flows from operating activities		
Profit for the year	48,658	34,912
Adjustments for:		
Depreciation of property, plant and equipment	948	2,412
Depreciation on investment property	302	599
Profit on disposals of property, plant and equipment	(20)	(700)
Bad debts	--	597
Provision for impairment of trade receivables	--	285
Provision for impairment of advances	--	7,102
Interest income	(761)	(600)
Finance costs	36,951	34,162
Provision for end-of-service benefits	15	211
Changes in fair value of held for trading financial assets	(3,608)	(21,972)
	82,485	57,008
Decrease in inventories	--	35,297
Increase in trade and other receivables	(726,939)	(1,027,729)
Increase in trade and other payables	1,330,801	822,424
Decrease in derivative financial assets/ liabilities	12,416	17,228
Staff end-of service benefits paid	--	(192)
Cash generated from/ (used in) operations	698,763	(95,964)
Interest paid	(36,963)	(35,701)
Net cash from/ (used in) operating activities	661,800	(131,665)
Cash flows from investing activities		
Payments for property, plant and equipment	(209)	(183)
Proceeds on disposals of property, plant and equipment	20	700
Investment in subsidiary	(1,000)	--
Decrease in non-current financial assets	--	574
Decrease in current financial assets (net)	7,613	10,477
Interest received	566	701
Payments to related parties (net)	(222,364)	(138,167)
Net liabilities transferred to a related party (note 10)	(249,113)	--
Net cash used in investing activities	(464,487)	(125,898)
Cash flows from financing activities		
Payments of trust receipts (net)	(176,269)	(79,732)
Receipts from related parties (net)	1,435	308,610
Payments of vehicle loans (net)	--	(47)
Net cash (used in)/from financing activities	(174,834)	228,831
Net increase/ (decrease) in cash and cash equivalents	22,479	(28,732)
Cash and cash equivalents at beginning of year	25,018	53,750
Cash and cash equivalents at end of year (note 12)	47,497	25,018

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 2 to 4.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. **LEGAL STATUS AND BUSINESS ACTIVITY**

- a) **ADANI GLOBAL FZE** (the "Establishment") with license No. 1947 is registered as a Free Zone Establishment in Jebel Ali Free Zone, United Arab Emirates. The Establishment was incorporated on 22 November 1997 with limited liability pursuant to Law No. 9 of 1992 and the Implementing Regulations No. 1/92 (repealed by Jebel Ali Free Zone Companies Implementing Regulations 2016) issued by Jebel Ali Free Zone Authority. The registered office is P. O. Box 17186, Dubai, UAE.
- b) The Establishment had obtained a branch license in the name "Adani Global FZE (Branch)" for operating through Dubai Multi Commodities Centre. However, during the year on 12 June 2017, the legal status of the branch has been changed from branch to a DMCC company "Adani Global DMCC". Accordingly, the income, expenses, assets and liabilities of this branch until such date are included in these financial statements.
- c) The Establishment is a wholly owned subsidiary of Adani Global Limited (the "parent company"), a private company incorporated in Mauritius. Adani Enterprises Limited, India, a public limited company is the "ultimate parent company".
- d) The Establishment principally trades in metal scrap, metal finished products, coal and solar energy systems and components.
- e) These financial statements are the separate financial statements of the Establishment presented only for the purpose of reporting to the shareholder. The consolidated financial statements of the Establishment and its subsidiary, which are required to be presented in accordance with International Financial Reporting Standard 10: Consolidated Financial Statements, are presented separately.

2. **BASIS OF PREPARATION**

a) **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1 January 2017, and the requirements of Jebel Ali Free Zone Companies Implementing Regulations 2016.

b) **Basis of measurement**

The financial statements are prepared using historical cost. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

c) **Going concern**

The financial statements are prepared on a going concern basis.

When preparing financial statements, management makes an assessment of the Establishment's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Establishment or to cease operation or has no realistic alternative but to do so.

d) **Adoption of new International Financial Reporting Standards**

Standards and interpretations effective for the current year

The International Financial Reporting Standards, amendments thereto and interpretations that became effective for the current reporting period and which are applicable to the Company are as follows:

- **Amendments to IAS 7 Disclosure Initiative**

The amendments require the disclosure that enable the users to evaluate the changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes.

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- **IFRS 9: Financial instruments (1 January 2018)**

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

- **IFRS 15: Revenue from Contracts with Customers (1 January 2018)**

The International Accounting Standard Board (IASB) has published its new revenue Standard, IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of the financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts.

- **Clarifications to IFRS 15: Revenue from Contracts with Customers (1 January 2018)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

- **IFRS 16: Leases (1 January 2019)**

IFRS 16 introduces a number of significant changes to lease accounting model. It eliminates the classification of leases as either operating lease or finance lease for a lessee and instead all the leases are treated similar to a finance lease. The standard however, does not require an entity to recognise assets and liabilities for a) Short-term leases (for a period of twelve months or less) and b) Leases of low value assets.

e) **Functional and presentation currency**

The Establishment's functional currency is US Dollar based on the fact that a significant portion of its sales and purchases are denominated and settled in that currency. However, the financial statements are presented in UAE Dirhams ("AED") which is the currency of the country of domicile of the Establishment and the amounts presented are rounded to the nearest thousand, unless otherwise stated.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is derecognised, using the straight-line method over the estimated useful lives of the assets as follows:

Office units and residential apartments	6 – 7 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	3 years

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 expenditure will flow to the Establishment and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Establishment recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is derecognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

b) Investment property

Residential apartment acquired for the purpose of earning rental income and/ or capital appreciation are classified as investment property and are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated using the straight-line method over the expected useful lives of the properties of 6 - 7 years.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

c) Investment in subsidiaries

Subsidiaries are entities over which the Establishment exercises control. Control is achieved when the Establishment is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investment in subsidiaries is accounted at cost less impairment losses, if any. Consolidated financial statements of the parent and its subsidiary are prepared separately.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realizable value is based on estimated selling price less any estimated cost of disposal.

e) Staff end-of-service benefits

Provision is made for end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

f) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Establishment and revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, returns and other similar allowances.

Sale of goods

The sales are high sea sales, i.e. the supplier ships goods directly to the customers. Revenue is recognised when significant risks and rewards relating to the ownership of goods concerned are transferred to the customer and is based on amount invoiced to customers for high sea sales made during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

g) Rental income

Rent received from renting of properties during the year is based on contractual agreements and is accounted on accrual basis. Rent received in advance for future periods is carried forward and included in current liabilities.

h) Leases

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

i) Foreign currency transactions

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

j) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except those that are attributable to the acquisition and construction of an asset that necessarily takes a substantial period to get ready for its intended use ("qualifying asset"). Such borrowing costs are capitalised as part of the related qualifying asset upto the date the qualifying asset is ready for use.

k) Provisions

A provision is recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits 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 reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

l) Value added tax

As per the Federal Decree-Law No. (08) of 2017, effective from January 1, 2018, Value Added Tax (VAT), will be charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person. The Company is required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax period/s and deposit the same within the prescribed due dates of filing VAT return and tax payment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

m) Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the Establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Derivative financial instruments

Derivative financial instruments to hedge commodity forward contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of the hedge relationship the Establishment documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Establishment documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the market risk in an unrecognised firm commitment.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the significant gain or loss on the hedging instrument is recognised directly in other comprehensive income as cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Financial assets***Financial assets at fair value through profit or loss***

Investments in financial instruments in which the entity actively trades are classified as held for trading and are stated at fair value by reference to quoted market prices. Changes in fair value are recognised in profit or loss.

Loans and receivables***Trade and other receivables***

Trade and other receivables are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue balances is recognised as it accrues.

Related party receivables

Related party receivables are classified as loans and receivables and stated at cost, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. These are reduced by appropriate allowances for estimated irrecoverable amounts.

Other current financial assets

Other current financial assets which comprise deposits under encumbrance and deposits with a maturity date of more than three months from the date of deposit are classified as loans and receivables and stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash, balance in bank current accounts and call deposits.

Financial liabilities***At amortised cost******Trade and other payables***

Trade and other payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Related party payables

Related party payables are stated at cost, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequently these are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Equity

Equity instruments issued by the Establishment are recorded at the value of proceeds received towards interest in share capital of the Establishment.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

n) Fair value measurement

The Establishment measures financial instruments, such as financial assets at fair value through profit or loss, at fair value at each reporting date. The Establishment also discloses the fair value of financial instruments measured at amortised cost.

The 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

The Establishment uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Investment property

Freehold property is classified as investment property only if an insignificant portion of the useable space is used by the Establishment for its own activities.

Investment property is stated using the cost model.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-for-trading or as available-for-sale or as held-to-maturity based on management's intentions relating to those investments. The management classifies investments as held for trading if they are acquired primarily for the purpose of making short term gains through trading. Investments are designated as available-for-sale if management has the positive intention and ability to hold them to gain from capital appreciation and to earn dividend income. Investments are designated as held-to-maturity, if management has the positive intention and ability to hold them till their maturity.

Investments in quoted instruments

Investments in quoted instruments are recognised on the trade date, as this is the date on which an asset or a liability to pay arises.

Impairment

At each reporting date, management conducts an assessment of property, plant and equipment, investment property and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made 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, are as follows:

Carrying values of property, plant and equipment and investment property

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
Impairment of loans and receivables

Management regularly undertakes a review of the amounts of loans and receivables owed to the Establishment either from third parties (see note 9) or from related parties (see note 10) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant and equipment, investment property and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service benefits

The Establishment computes the provision for the liability to staff end-of-service benefits stated at AED 144,131 (previous year AED 790,979), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

6. PROPERTY, PLANT AND EQUIPMENT

	Office units and residential apartments ^(a)	Furniture, fixtures and office equipment	Motor vehicles	Total
	AED '000	AED '000	AED '000	AED '000
Cost				
At 1 April 2016	6,526	10,084	2,014	18,624
Additions	–	183	–	183
Disposals	(660)	–	–	(660)
Assets written off	–	(1,676)	(42)	(1,718)
At 31 March 2017	5,866	8,591	1,972	16,429
Additions	–	171	38	209
Disposals	–	–	(94)	(94)
Transfer to a related party ^(a)	(3,016)	–	–	(3,016)
At 31 March 2018	<u>2,850</u>	<u>8,762</u>	<u>1,916</u>	<u>13,528</u>
Accumulated depreciation				
At 1 April 2016	5,552	7,728	1,503	14,783
Depreciation	505	1,541	366	2,412
Adjustments on disposals	(660)	–	–	(660)
Adjustments for write off	–	(1,676)	(42)	(1,718)
At 31 March 2017	5,397	7,593	1,827	14,817
Depreciation	206	610	132	948
Adjustments on disposals	–	–	(94)	(94)
Transfers to a related party ^(a)	(2,784)	–	–	(2,784)
At 31 March 2018	<u>2,819</u>	<u>8,203</u>	<u>1,865</u>	<u>12,887</u>
Carrying amount				
At 1 April 2016	974	2,356	511	3,841
At 31 March 2017	469	998	145	1,612
At 31 March 2018	<u>31</u>	<u>559</u>	<u>51</u>	<u>641</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

- a) Office units and residential apartments include six units of residential apartments with cost AED 2,850,000 and carrying value AED 30,553 (previous year six units of residential apartments and four office units with cost AED 5,865,880 and AED 467,775 respectively) in the International City, Dubai. Four office units with cost AED 3,015,880 and carrying value AED 231,902 in Jumeirah Business Center - 5, Dubai transferred during the year to the subsidiary company.

7. INVESTMENT PROPERTY

	Residential apartment ^(a) AED '000
Cost	
At 1 April 2016, 31 March 2017 and 31 March 2018	3,992
Accumulated depreciation	
At 1 April 2016	3,091
Depreciation	599
At 31 March 2017	3,690
Depreciation	302
At 31 March 2018	3,992
Carrying amount	
At 1 April 2016	901
At 31 March 2017	302
At 31 March 2018	--

a) Residential apartment represents penthouse at Zen Tower, Dubai Marina, Dubai.

8. INVESTMENT IN SUBSIDIARY

1,000 fully paid shares of AED 1,000 each in Adani Global DMCC (a limited liability company registered in DMCC, Dubai, United Arab Emirates).

2018 AED '000	2017 AED '000
1,000	--
1,000	--

ADANI GLOBAL FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

The nature of investments in subsidiaries held by the establishment are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Registered proportion (%) of ownership interest	
			2018	2017
Adani Global DMCC ^(a)	Trading in solar energy systems and components, refined oil products, coal & firewood, metal ores, scrap and waste, ghee and vegetable oil, jewellery, pearls and precious stones and non-manufactured precious metals	United Arab Emirates	100	--

- a) "Adani Global DMCC" was formed on 12 June 2017 by converting the legal status of the branch called Adani Global FZE (Branch) into a DMCC Company.

	2018 AED '000	2017 AED '000
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	2,893,776	1,890,082
Advances to suppliers	27,301	27,193
Advances to directors	6,029	4,767
Other advances	1,158	299
Accrued interest	431	236
Prepayments	1,485	3,234
Deposits	94	238
Loan to a third party ^(a)	--	2,246
Other receivables ^(b)	957	462,224
	2,931,231	2,390,519
Less: Provision for impairment of trade receivables	(285)	(285)
Less: Provision for impairment of advances to suppliers	(7,102)	(7,102)
	2,923,844	2,383,132

- (a) This represents interest free term loan. The loan has been settled in the current year as per agreed terms of repayment between the parties.
- (b) During the previous year, the Establishment had bought receivables of Adani Power Limited, India and its subsidiaries aggregating to AED 453,241,356 (equivalent to USD 123,499,007) from Adani Global PTE Limited, Singapore, a related party, on non-recourse basis.

A reconciliation of the movements in the provision for impairment of trade and other receivables account is as follows:

Opening balance	285	--
Provisions made during the year	--	285
Closing balance	285	285

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

An age analysis of trade receivables that are past due but not impaired is as follows:

	2018 AED '000	2017 AED '000
0 – 60 days	259,805	–
61 – 180 days	--	923
Over 180 days	316	31

An analysis of trade and other receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows:

Gross value	285	285
Provision	(285)	(285)
Carrying value	--	--
Trade receivables not past due and not impaired	2,633,370	1,888,843

The Establishment holds post-dated cheques and letters of credit in favour of the Establishment as security against certain trade receivables.

10. RELATED PARTIES

The Establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and are at prices determined by the management.

Related parties comprise parent company, ultimate parent company, subsidiaries, fellow subsidiaries and directors.

At the reporting date, significant balances with related parties were as follows:

	Ultimate parent company AED '000	Parent company AED '000	Subsidiary company AED '000	Fellow subsidiaries AED '000	Directors AED '000	Total 2018 AED '000	Total 2017 AED '000
Included in trade and other receivables	277,538	--	--	1,539,781	6,029	1,823,348	
	2,514	--	--	1,330,174	4,767		1,337,455
Included in trade and other payables	--	--	--	577,667	--	577,667	
	--	--	--	245,149	--		245,149
Due from related parties	--	--	--	1,854,680	--	1,854,680	
	--	164,295	--	1,854,647	--		2,018,942
Due to a related party ^(a)	--	--	86,015	--	--	86,015	
	--	--	--	308,610	--	--	308,610

- a) In previous year, this represents amount payable to Adani Global PTE Limited, Singapore, against purchase of receivables {refer note 9 (b)}.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in note 25.

After the conversion of the branch to a DMCC company, [refer Note 1(b)] the Establishment has transferred the following assets and liabilities to its subsidiary company "Adani Global DMCC" at their carrying values on 1 July 2017:

		AED '000s
Trade and other receivables		186,422
Bank balances		1,335
Total assets	A	187,757
Trade and other payables		434,874
Staff end of service benefits		661
Total liabilities	B	435,535
Net liabilities transferred	C = (A-B)	(247,778)
Net liabilities transferred (as per above)		247,778
Cash and cash equivalents transferred		1,335
Cash outflow on net liabilities transferred		249,113

Apart from the assets and liabilities transferred to the subsidiary company as mentioned above, the significant transactions with other related parties during the year were as follows:

	Ultimate parent company	Subsidiary company	Fellow subsidiaries	Directors	Total 2018	Total 2017
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Sales	446,742	--	3,870,047	--	4,316,789	
	211,566	--	3,104,076	--		3,315,642
Professional fee expense	--	2,458	--	--	2,458	
	--	--	--	--	--	--
Purchases of goods and services	--	--	843,317	--	843,317	
	--	--	1,016,863	--	--	1,016,863
Remuneration and expenses	--	--	--	2,757	2,757	
	--	--	--	2,720	--	2,720
Included in other income	--	--	12,794	--	12,794	
	--	--	83	--	--	83
Acquisition of receivables	--	--	--	--	--	
	--	--	453,241	--	--	453,241

The Establishment also provides funds to/receives funds from related parties free of interest/ at agreed interest rates as and when required. Corporate guarantees are received from parent company in relation to facilities availed from banks.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 AED '000	2017 AED '000
11. OTHER CURRENT FINANCIAL ASSETS		
Fixed deposits ^(a)	41,385	38,652
Margin deposits ^(a)	5,075	15,421
Derivative financial instruments (note 17)	—	8,544
	<u>46,460</u>	<u>62,617</u>

(a) Fixed deposits and margin deposits are held under lien with banks as security for bank facilities availed (note 15) and letters of guarantee issued (note 28).

12. CASH AND CASH EQUIVALENTS		
Cash on hand	19	39
Bank balances in:		
Current accounts	47,293	24,512
Call deposits	185	467
	<u>47,497</u>	<u>25,018</u>

13. SHARE CAPITAL		
Issued and paid up		
166 fully paid shares of AED 100,000 each (previous year 18 fully paid shares of AED 1,000,000 each) held by Adani Global Limited, Mauritius.	<u>16,600</u>	<u>18,000</u>

During the year, vide amendment to the memorandum of association, notarised on 7 November 2017 the Establishment has repurchased 14 shares at a consideration of AED 162,827,068 (equivalent to USD 44,367,048). The consideration is settled out of:

	AED
Share capital	1,400,000
Retained earnings	<u>161,427,068</u>
	<u>162,827,068</u>

	2018 AED '000	2017 AED '000
14. PROVISION FOR STAFF END-OF-SERVICE BENEFITS		
Opening balance	791	772
Provision for the year	15	211
Transferred to a related party	(662)	—
Paid during the year	—	(192)
Closing balance	<u>144</u>	<u>791</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

	2018 AED '000	2017 AED '000
15. SHORT TERM BORROWINGS		
Trust receipts	349,339	525,608
	<u>349,339</u>	<u>525,608</u>

An analysis by bank of amounts outstanding is as follows:

First Gulf Bank	42,261	57,066
Axis Bank Ltd	123,021	98,048
United Bank Limited	48,240	135,408
Habib Bank	--	23,687
Emirates NBD	80,750	96,392
Punjab National Bank	55,067	47,941
Banque de Commerce et de Placements	--	67,066
	<u>349,339</u>	<u>525,608</u>

Bank borrowings are subject to financial covenants as agreed with individual lending banks and are secured by way of:

- Personal guarantees of directors
- Corporate guarantee from the parent company
- Cash margin against facilities
- Assignment of receivables
- Undated security cheques
- Letter of undertaking/ comfort from Adani Enterprises Limited

A maturity analysis of total bank borrowings is as follows:

0 – 1 month	170,908	13,235
1 – 3 months	125,688	376,091
3 months – 1 year	52,743	136,282
Presented as current liabilities (note 15)	<u>349,339</u>	<u>525,608</u>
1 year – 5 years	--	--
Total	<u>349,339</u>	<u>525,608</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 AED '000	2017 AED '000
16. TRADE AND OTHER PAYABLES		
Trade payables	2,293,116	1,285,306
Accruals	2,379	7,030
Interest accrued	2,246	2,258
Advances from customers ^(a)	214	94,702
Deferred income	--	12,759
Rental advances and deposits	30	15
	<u>2,297,985</u>	<u>1,402,070</u>

- (a) In the previous year, advances from customers included AED 94,421,930 towards advance received for contracts entered by the branch of the Establishment for supply of material at a future date. The contract was in the name of the erstwhile branch of the Establishment which is now converted into a subsidiary of the Establishment during the year. The advance and related supply commitments are recorded in the books of account of the subsidiary as at 31 March 2018 (refer note 26).

The entire trade and other payables are due for settlement within one year from the reporting date.

17. OTHER CURRENT FINANCIAL LIABILITIES

Derivative financial instruments	264	--
	<u>264</u>	<u>--</u>

The Establishment enters into contracts to hedge commodity forward contracts for purchase / sale of various commodities. At the reporting date, fair value loss on the cash flow hedges amounted to AED 263,800 (previous year fair value gain of AED 8,544,232 (note 11)) and being ineffective has been taken to profit or loss.

18. MANAGEMENT OF CAPITAL

The Establishment's objectives when managing capital are to ensure that the Establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital, comprises equity funds as presented in the statement of financial position together with amounts due to / due from related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Establishment is subject to externally imposed capital requirements as per the bank facilities availed. The Establishment has complied with all the capital requirements to which it is subject.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Funds generated from internal accruals together with funds received from related parties net of funds provided to related parties are retained in the business, to limit bank borrowings as per the terms and conditions agreed with the banks and according to the business requirements to maintain capital at desired levels.

	2018 AED '000	2017 AED '000
19. OTHER OPERATING INCOME		
Profit on disposals of property, plant and equipment (net)	20	700
Rental income	385	463
Other income ^(a)	12,850	245
Net exchange gain	226	--
	13,481	1,408
a)	This includes income of AED 12,758,611 (previous year AED 82,745) earned from a related party on assignment of receivables in the previous year {refer note 9 (a) and 10 (b)}.	
20. STAFF COSTS		
Staff salaries and benefits	1,444	6,097
Staff end-of-service benefits	15	211
	1,459	6,308
21. DEPRECIATION		
On property, plant and equipment (note 6)	948	2,412
On investment property (note 7)	302	599
	1,250	3,011
22. OTHER OPERATING EXPENSES		
Operating lease expenses	190	189
Directors' remuneration	2,658	2,631
Commission to agents	301	107
Professional fees	7,314	6,805
Provision for impairment of trade receivables	--	285
Provision for impairment of advances	--	7,102
Penalty for breach of contract	--	2,087
Bad debts	--	597
Net exchange loss	--	688
Other expenses	6,539	6,917
	17,002	27,408
23. INTEREST INCOME		
On bank deposits	618	294
On customer balances	143	306
	761	600

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

	2018 AED '000	2017 AED '000
24. FINANCE COSTS		
Interest on bank borrowings	32,223	27,357
Bank charges	4,728	6,805
	<u>36,951</u>	<u>34,162</u>

25. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows.

	Loans and receivables		At fair value through profit or loss		At amortised cost	
	2018 AED 000's	2017 AED 000's	2018 AED 000's	2017 AED 000's	2018 AED 000's	2017 AED 000's
Trade and other receivables	2,902,160	2,352,705	--	--	--	--
Amounts due from related parties	1,854,680	2,018,942	--	--	--	--
Other current financial assets	46,460	54,073	--	8,544	--	--
Cash and cash equivalents	47,497	25,018	--	--	--	--
Short term borrowings	--	--	--	--	349,339	525,608
Trade and other payables	--	--	--	--	2,297,758	1,306,954
Amount due to a related party	--	--	--	--	86,015	308,610
Other current financial liabilities	--	--	264	--	--	--
	<u>4,850,797</u>	<u>4,450,738</u>	<u>264</u>	<u>8,544</u>	<u>2,733,112</u>	<u>2,141,172</u>

Management of risks

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risk, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Establishment's credit risk management, where it is considered necessary, such receivables are covered by bank guarantees in favour of the Establishment, issued by high credit quality financial institutions and undated security cheques.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The Establishment buys goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US Dollars to which the UAE Dirham is pegged.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Borrowing facilities are regularly reviewed to ensure that the Establishment obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risks

Financial assets that potentially expose the Establishment to concentrations of credit risk comprise principally non-current loans receivables, bank accounts, bank deposits, trade and other receivables and amounts due from related parties.

The Establishment's bank accounts and bank deposits are placed with high credit quality financial institutions.

Amounts due from related parties and trade and other receivables are stated net of the allowance for doubtful recoveries in aggregate at AED 4,749,249,532 (previous year AED 4,378,748,940). At the reporting date 75% of such receivables were due from four parties situated in India, Singapore, Indonesia and Australia (previous year 78% due from four parties situated in India, Singapore, Indonesia and Australia).

Significant concentration of credit risk by industry are as follows:

	2018 AED'000	2017 AED'000
Coal	4,735,545	3,635,744
Scrap metal and steel	12,911	4,589
Solar energy components & equipment	—	104,111

At the reporting date, the Establishment's bank balances with banks in European countries is AED 107,000 (previous year AED 107,000).

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed except for the following:

Other receivables

- Australian Dollars

Amounts due from a related party

- Australian Dollars

Reasonably possible changes to exchange rates at the reporting date are unlikely to have had a significant impact on profit or equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Interest rate risk

The Establishment's deposits with banks are subject to fixed interest rates at levels generally obtained in the UAE and are therefore exposed to fair value interest rate risk. Bank borrowings are subject to floating interest rates at levels which are fixed to LIBOR/EIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower, interest expense on variable rate debt would have been AED 4,582,319 higher or lower (previous year AED 5,686,069) resulting in equity being lower or higher by such amount.

Fair values

The 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. The fair values of the Establishment's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

	Level 1		Level 2		Level 3		Total	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Derivative financial instruments (Cr)/Dr	(264)	8,544	--	--	--	--	(264)	8,544

26. SUPPLY COMMITMENTS

In previous year, the branch of the Establishment had entered into contracts with a customer for supply of prime steel billet for an aggregate of AED 110,100,000 (equivalent to USD 30,000,000) to be delivered during the period from March 2018 to August 2018.

The Establishment had received an advance of AED 94,421,930 (equivalent to USD 25,728,046) from the customer against the above contract as at the reporting date. On the conversion of the branch to a subsidiary, the supply commitments are disclosed in the financial statements of the of the subsidiary as at 31 March 2018 {refer note 16(a)}.

27. OPERATING LEASE COMMITMENTS

The Establishment has entered into non-cancellable operating leases. The total of the future lease payments is as follows.

	2018 AED '000	2017 AED '000
Not later than one year	167	148
Between one and five years	106	219

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

	2018 AED '000	2017 AED '000
28. CONTINGENT LIABILITIES		
Letters of guarantee	112	112
Unutilised balances of commercial letters of credit	16,514	72,692

For ADANI GLOBAL FZE



DIRECTOR

